

## **Preface**

The Central Clearing and Settlement System ("CCASS") is established and operated by Hong Kong Securities Clearing Company Limited ("HKSCC").

The terms and conditions regulating the use of CCASS are set out in the General Rules of CCASS ("Rules").

This document, to be referred to as the Operational Procedures, forms part of the Rules and is binding on all Participants. In case of conflict between the Rules and the Operational Procedures, the Rules shall prevail (except as otherwise provided in the Rules).

The operations of CCASS, the services and facilities available thereunder, and the procedures to be followed by Participants, are set out in this document.

From time to time, the Operational Procedures may be amended and Participants will be informed of such changes by means of circulars to Participants.

Unless otherwise defined, terms defined in the Rules will have the same meanings when used in the Operational Procedures.

## Definitions

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

**“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 Depository”**

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 Phone System or the CCASS Internet System, as referred to in Rule 704 and Sections 3.4 and 3.10;

**“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;

**“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 Phone System”**

means the interactive voice response system 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 Participant of CCASS and duly registered as a participant of one or more of the other Recognized Clearing Houses and “Common Participants” 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;

**“Depositary”**

has the same meaning as “depositary” in the Exchange’s Listing Rules;

**“Depositary Receipts”**

has the same meaning as “depositary 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 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;

**“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 Depository 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 participantship 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 Expected Uncollateralised Loss”**

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 the Hong Kong Securities Clearing Company Limited including, where the context so requires, its agents, nominees, representatives, officers and employees;

**“HKSCC Default Applicable Percentage”**

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 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;

**“Intra-day Counter Transfer Instruction” or “ICI”**

means an instruction given by a Clearing Participant or Clearing Agency Participant to HKSCC in such form as HKSCC may prescribe from time to time, to effect, where applicable, the transfer of designated Multi-counter Eligible Securities of an Issuer held in such Participant’s Stock Clearing Account from one relevant stock code to another relevant stock code for settlement purposes, as referred to in Rule 1008;

**“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;

**“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;

**“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);

**“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;

**“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 Securities”**

means Eligible Securities 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 in accordance with Rule 501, and a “Multi-counter Eligible Security” shall be construed accordingly;

**“Multi-counter Transfer Instruction”**

means an instruction given by a Participant to HKSCC in such form as HKSCC may prescribe from time to time, to effect the transfer of Multi-counter Eligible Securities of an Issuer held in the Participant’s Stock Accounts (except its Stock Collateral Control 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)) from one relevant stock code to another relevant stock code, as referred to in

Rule 816A;

**“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,

Depository 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 3rd 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;

**“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;

**“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 requires

otherwise, any reference in the Rules to “SEHK Securities” includes “Special SEHK Securities”;

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

**“Stock 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 “SSA”**

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

**“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 implementation of any of the foregoing (an “IGA”), or (g) any law implementing an IGA; or

(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);

**“Tender Instructions”**

means instructions by a Participant (in such form as HKSCC may from time to time prescribe) for (i) a tender or application to be made on its behalf for Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments and (ii) the payment and refund of tender moneys or application moneys (as the case may be), as referred to Rule 1101(vii);

**“Termination Value Applicable Percentage”**

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;

**“Termination Value Payable”**

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;

**“Termination Value Receivable”**

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;

**“Terms and Conditions”**

means, the Terms and Conditions for Investor Participants governing the participation of Investor Participants in CCASS, as from time to time in force;

**“Trade Amendment”**

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;

**“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 Registration Criteria”**

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; and

**“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.

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

**“Access Level”**

means, in relation to an Authorised User of a Participant other than an Investor Participant, the pre-determined level of CCASS functions or services to be made available to that Authorised User via the CCASS Terminal and/or RMS of that Participant, such level to be determined by that Participant from time to time, as referred to in Section 3.4;

**“Administration Rights”**

means the pre-determined security management functions available to Delegated Administrators via the CCASS Terminals and/or RMS of Participants other than Investor Participants, as referred to in Section 3.5.2;

**“Afternoon FX Settlement Time”**

means no later than 3:00 p.m. on T+2, being the deadline for settlement of a TSF Final FX Position by a TSF Clearing Participant, as referred to in Sections 12A.3.1(ii) and 12A.3.5;

**“Allocated Positions”**

means, in relation to a Market Contract, long stock positions under the CNS System of a Clearing Participant or a Clearing Agency Participant to which Eligible Securities have been allocated but monies payment obligations arising therefrom remain outstanding and are not covered in full by cash prepayment;

**“Alternate Designated Officer”**

means, in relation to a Participant other than an Investor Participant, a person designated by that Participant as being, in the absence of the Designated Officer of that Participant, the person to be contacted by HKSCC in respect of matters relating to that Participant's daily operations in CCASS, as referred to in Section 2.6;

**“ATI Batch Input Control Report”**

means, in relation to each Participant which is provided by HKSCC with facilities for ATI batch file transfer, a report provided by HKSCC to it (after each scheduled ATI batch validation run) showing the processing results of its ATI batch file transfers, as referred to in Section 16.6 (refer to the CCASS Terminal User Guide for Participants for details);

**“Authorisation Code”**

means in relation to a Delegated Administrator of a Participant who executes his/her Administration Rights in the capacity of a checker, a unique code assigned to that Delegated Administrator for his/her input in order to authorise a user administration transaction via the CCASS Terminal of that Participant;

**“Authorised Signatories”**

means, in relation to a Participant other than an Investor Participant, the persons authorised by that Participant in the manner prescribed by HKSCC as being authorised to give written instructions to HKSCC in connection with any matters relating to the Participant's participation and operations in CCASS, as referred to in Section 2.5;

**“Billing Account”**

means, in relation to each Participant, a sub-account in the Money Ledger of that Participant which is used for billing purposes in CCASS, as referred to in Section 2.4.2;

**“Book-Close Reminder”**

means the section in the Entitlement Statement of a Participant other than an Investor Participant which provides information on corporate actions or activities affecting Eligible Securities, as referred to in Section 8.3.2;

**“Broadcast Message Service”**

means the service made available by HKSCC to Participants other than Investor Participants to

provide certain types of information through their CCASS Terminals and Participant Gateways;

**“Broker-to-Client Assigned Number” or “BCAN”**

has the code, number or identifier that is assigned to uniquely and consistently identify a client as required under Rule 538A of the Exchange Rules;

**“Buy-in Notification Report”**

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

**“CA ISO Message Service”**

means a service under which subscribers may receive from HKSCC, information on corporate actions in the form of ISO Messages;

**“Cash Prepayment Instruction”**

means an instruction in such details as HKSCC may prescribe from time to time, given by a Clearing Participant to HKSCC via the “Cash Prepayment Instruction” maintenance functions of its CCASS Terminal or generated pursuant to a Cash Prepayment Standing Instruction, to effect payment in same day available funds to HKSCC to release Eligible Securities received under a Buy-in as referred to in Section 10.8.8 or Securities-on-hold as referred to in Section 10.12.4 or Section 10A.14.5;

**“Cash Prepayment Standing Instruction”**

means a standing instruction in such details as HKSCC may prescribe from time to time, given by a Clearing Participant to HKSCC via the “Cash Prepayment / TSF Payment Standing Instruction” maintenance functions of its CCASS Terminal, to authorize HKSCC to generate Cash Prepayment Instructions on behalf of the Clearing Participant;

**“CCASS Funding Projection Report for Designated Bank”**

means, in relation to a Designated Bank, a report provided by HKSCC to the Designated Bank showing the relevant funding projection, as referred to in Section 16.7 and the CCASS Terminal User Guide for Designated Banks;

**“CCASS Funding Projection Report for Participant”**

means, in relation to a Participant other than an Investor Participant, a report provided by HKSCC to the Participant showing the relevant funding projection, as referred to in Section 16.6 and the CCASS Terminal User Guide for Participants;

**“CCASS Participant Contact List”**

means a list containing the contact details of Participants other than Investor Participants which is provided by HKSCC to the issuers of Eligible Securities and their registrars, as referred to in Section 8.5.2;

**“CCASS Phone Password”**

means, (i) in relation to a person who is an Individual Investor Participant or an individual member of a Joint Individual Investor Participant or an Authorised User of a Corporate Investor Participant, a password provided by HKSCC to that person or as specified by that person and (ii) in relation to SSA Statement Recipient in respect of a SSA with Statement Service of a Clearing Participant or a Custodian Participant, a password provided by the Clearing Participant or Custodian Participant to that SSA Statement Recipient, the input of which is required to enable such person or SSA Statement Recipient to gain access to

CCASS via the CCASS Phone System, or to register a set of Internet User ID and Internet User Password and/or his Hongkong Post e-Cert (as the case may be) with HKSCC for access to the CCASS Internet System, as referred to in Section 3.10.2;

**“CCASS Phone User ID”**

means, (i) in relation to a person who is an Individual Investor Participant or an individual member of a Joint Individual Investor Participant or an Authorised User of a Corporate Investor Participant, a unique identification number provided by HKSCC to that person and (ii) in relation to SSA Statement Recipient in respect of a SSA with Statement Service of a Clearing Participant or a Custodian Participant, a unique identification number provided by HKSCC to that SSA Statement Recipient via the Clearing Participant or Custodian Participant to enable such person or SSA Statement Recipient to gain access to CCASS via the CCASS Phone System, to register a set of Internet User ID and Internet User Password and/or his Hongkong Post e-Cert with HKSCC for access to CCASS via the CCASS Internet System, as referred to in Section 3.10.2;

**“CCASS Record Date”**

means the date(s) designated by HKSCC from time to time on which an entitlement to a declared payment or other benefit accruing to eligible Debt Securities in bearer form will be determined for Participants' Stock Account holdings in such Debt Securities in bearer form on that date;

**“CCASS Terminal User Guide for Designated Banks”**

means the guide entitled “CCASS Terminal User Guide for Designated Banks” of HKSCC in relation to CCASS, containing information on the use of CCASS Terminals by Designated Banks, as from time to time in force;

**“Clearing House of HKAB” or “Clearing House”**

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

**“Client Identification Data” or “CID”**

has the same meaning as defined in the Exchange Rules;

**“Closing-out”**

means the effecting of a Closing-out Contract (as defined in the Rules) in respect of an unsettled stock position of a defaulting Clearing Participant or a Clearing Agency Participant under the CNS System, as referred to in Sections 10.14 and 12.2.9(v) respectively;

**“Collateral Security Batch-run”**

means the process adopted by HKSCC to effect, at stated times, the provision of Collateral Securities by Clearing Participants or Clearing Agency Participants to HKSCC whereby Eligible Securities will be automatically debited from the Stock Accounts of the Clearing Participants or Clearing Agency Participants and credited to the CCMS Collateral Accounts of such Clearing Participants or Clearing Agency Participants for HKSCC's waiver of computation of Marks and reduction of Marginable Position for computation of Margin, as referred to in Sections 10.10.3 and the Initial Margin Calculation Guide;

**“Collateral Security Batch Input Control Report”**

means, in relation to a Clearing Participant or Clearing Agency Participant which is provided with facilities for Collateral Security Batch-run, a report provided by HKSCC to the Clearing Participant or Clearing Agency Participant showing the processing results of its Collateral Security Batch-run, as referred to in Section 16.6 and the CCASS Terminal User Guide for



Participants;

**“Contract Currency Collateral”**

means, in relation to a Clearing Participant, (i) cash payment made by the Participant to HKSCC pursuant to CPIs or DDIs issued by HKSCC in respect of the collection of Marks, Margin and/or Collateral pursuant to Section 14 of the Operational Procedures; (ii) cash balance transferred from the General Collateral Inventory of the CCMS House Collateral Account of the Participant and provided by the Participant as cover for Marks, Margin and/or Collateral and other obligations (actual or contingent) denominated in the same currency; and (iii) cash payment made by the Participant, in its capacity as a SEOCH Participant, to a Clearing Agency Participant to satisfy the Participant’s Marks, Margin and/or Collateral obligations relating to Clearing Agency Transactions, and transferred to HKSCC by the Clearing Agency Participant;

**“corresponding CNS money position”**

means, in relation to the settlement of TSF FX Transactions, the CNS money position of a TSF Clearing Participant in respect of a TSF Stock that corresponds to the TSF FX Position of the Participant in respect of the same TSF Stock (if any) as referred to in Section 12A.3.4(ii)(c);

**“Daily Stock Balance Report”**

means, in relation to a Participant other than an Investor Participant, a daily report provided by HKSCC to the Participant showing the balances and value by stock and the total portfolio value, as referred to in Section 16.6 and the CCASS Terminal User Guide for Participants;

**“DDI/DCI/EPI Exception Report”**

means, in relation to a Designated Bank, a report provided by HKSCC to the Designated Bank showing details of the DDIs, DCIs and EPIs to be excluded from settlement by the Clearing House of HKAB for the relevant Eligible Currency, if any, as referred to in Section 16.7 and the CCASS Terminal User Guide for Designated Banks;

**“DDI/DCI/EPI Listing for Designated Bank”**

means, in relation to a Designated Bank, a report provided by HKSCC to the Designated Bank providing details of the DDIs, DCIs and EPIs which affect the Participants other than Investor Participants for which the Designated Bank acts, as referred to in Section 16.7 and the CCASS Terminal User Guide for Designated Banks;

**“DDI/DCI/EPI Listing for IP Related Transactions”**

means, in relation to a Designated Bank, a report provided by HKSCC to the Designated Bank providing details of the DDIs, DCIs and EPIs which affect the Investor Participants for which the Designated Bank acts, as referred to in Section 16.7 and the CCASS Terminal User Guide for Designated Banks;

**“DDI/DCI/EPI Rejection Listing”**

means, in relation to a Designated Bank, a report provided by HKSCC to the Designated Bank showing details of the payment status of DDIs, DCIs and EPIs, if any, as referred to in Section 16.7 and the CCASS Terminal User Guide for Designated Banks;

**“DDI/DCI/EPI Summary for Participant”**

means, in relation to a Participant other than an Investor Participant, a report provided by HKSCC to the Participant providing details of DDIs, DCIs and EPIs, as referred to in Section 16.6 and the CCASS Terminal User Guide for Participants;

**“Delegated Administrator”**

means in relation to a Participant (other than an Investor Participant), a person appointed by

that Participant in a manner prescribed by HKSCC from time to time as being authorised to administer the access profile of an Authorised User of that Participant via the CCASS Terminal, as referred to in Section 3.3;

**“Delivery versus Payment” or “DVP”**

means, in relation to settlement of a stock position in CCASS by a Participant, the settlement of such a stock position in CCASS on the basis that settlement of the corresponding money position of such stock position will follow as part of the CCASS money settlement process;

**“Designated Officer”**

means, in relation to a Corporate Investor Participant and a Participant other than an Investor Participant, a person designated by that Participant as being the person to be contacted by HKSCC in respect of matters relating to that Participant's daily operations in CCASS, as referred to in Section 2.6;

**“Designated Specialist”**

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

**“Discounted Market Value”**

means the value of a collateral in the CCMS House Collateral Account of the Clearing Participant, determined in accordance with Section 10.15.2 for the purpose of the collateralization process in Section 10.15.3;

**“Dual Counter Security”**

has the same meaning as defined in the Exchange Rules;

**“Ear-marked Value”**

means (i) cash Ear-marked Value, being the collateralized amount of cash in other currencies (as referred to in Section 10.15.3(iii)) in the CCMS House Collateral Account of a Clearing Participant, as referred to in Section 10.15.3(c); and (ii) non-cash Ear-marked Value, being the collateralized value of the Non-cash Collateral in CCMS House Collateral Account of a Clearing Participant, as referred to in Section 10.15.3(a);

**“EIPO”**

means the arrangement in these Operational Procedures for instructions to be given electronically to HKSCC by Participants via FINI for applications to be made on their behalf for New Issue Shares and for the payment of application moneys, and for those instructions to be acted upon;

**“Entitlement Account”**

means, in relation to a Participant other than an Investor Participant, the Stock Segregated Account (account number 02) which is designated by HKSCC as its “Entitlement Account” and which is primarily used by such Participant for the purpose of receiving securities entitlements accruing to Eligible Securities, as referred to in Section 2.3.7;

**“Entitlements Account”**

means, in relation to each Participant, a sub-account in the Money Ledger of that Participant which is primarily used for receiving money entitlements accruing to Eligible Securities, as referred to in Section 2.4.2;

**“Entitlement Statement”**

means, in relation to a Participant other than an Investor Participant, a statement provided by HKSCC to such Participant showing the entitlements accruing to Eligible Securities which are receivable or payable by that Participant or paid by or distributed to that Participant by HKSCC, as referred to in Section 8.3.3;

**“Evening FX Settlement Time”**

means the time when the final Batch-settlement-run is completed on T+2, being the deadline for settlement of the TSF Final FX Position by a TSF Clearing Participant, as referred to in Sections 12A.3.1(ii) and 12A.3.5;

**“Favourable Marks”**

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

**“Fidelity Fund”**

means the Fidelity Fund established by the Exchange in accordance with the Exchange Rules;

**“Final Clearing Statement” or “FCS”**

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

**“FINI CHATS Payment Instruction” or “FINI CPI”**

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

**“FINI Report”**

means the report to be generated by FINI in relation to FINI-related activities, including but not limited to EIPO subscriptions, money settlement and FINI CPI, as from time to time prescribed in the FINI User Guide;

**“Free of Payment” or “FOP”**

means, in relation to the settlement of a stock position in CCASS by a Participant, the settlement of such a stock position in CCASS which does not require the settlement of the corresponding money position of such stock position to be effected thereafter as part of the CCASS money settlement process (noting that money settlement may still take place outside CCASS);

**“General Collateral Inventory”**

means the inventory of cash, Collateral Securities and other Non-cash Collateral in a CCMS Collateral Account that, in the opinion of HKSCC, can be treated as, or be used as cover or to secure against Ear-marked Value;

**“Guarantee Scheme”**

means the Guarantee Scheme established by the Exchange in accordance with the Exchange Rules;

**“H Shares”**

means shares issued by an Issuer incorporated in the People's Republic of China which are the subject of an application for listing or are listed on the Exchange and are to be or are subscribed for and traded in Hong Kong dollars;

**“H-1 day”**

means, in relation to China Connect Securities, the Settlement Day immediately preceding a day which is a public holiday in Hong Kong but not in Mainland China;

**“HK Bank”**

means The Hongkong and Shanghai Banking Corporation Limited;

**“HKAB”**

means The Hong Kong Association of Banks;

**“HKSCC HKD RTGS Account”**

means the Hong Kong dollar settlement account (including a CHATS ledger account) maintained by HKSCC with the HKMA;

**“Input Transaction Limit”**

means, in relation to an Authorised User of a Corporate Investor Participant and a Participant other than an Investor Participant, the pre-determined limit (in money terms) of that Authorised User above which certain instructions input into CCASS by that Authorised User will not be processed in CCASS by HKSCC, such limit to be determined by that Participant from time to time, as referred to in Section 3.4;

**“Internet User ID and Internet User Password”**

means a unique identification number and a password registered with HKSCC by an Individual Investor Participant or an individual member of a Joint Individual Investor Participant or an Authorised User of a Corporate Investor Participant or a SSA Statement Recipient in respect of a SSA with Statement Service for access to the CCASS Internet System, as referred to in Section 3.10.2;

**“Intra-day Mainland Settlement Deposit Payable Report”**

means a report provided by HKSCC to a China Connect Clearing Participant, showing the amount and computation of the intra-day Mainland Settlement Deposit payable by such Participant;

**“Intra-day Payment”**

means, in relation to an Intra-day Payment Standing Instruction of a Participant other than an Investor Participant, (i) the amount of cash payment in an Eligible Currency arising out of nominee services on a Business Day, as referred to in Section 8.25 and/or (ii) the amount of intra-day settlement of money obligations due to the Participant from HKSCC under the CNS System on a Settlement Day, as referred to in Section 10.5.8 and/or (iii) the amount of surplus cash arising from overpaid cash prepayment on a Settlement Day, as referred to in Section 10.12.8 (as the case may be) determined by HKSCC to be paid to the Participant via IPI pursuant to that Intra-day Payment Standing Instruction;

**“Intra-day Payment Instruction” or “IPI”**

means, for a Participant other than an Investor Participant, a payment instruction issued by HKSCC pursuant to an Intra-day Payment Standing Instruction and forwarded for processing (i) to the Designated Bank of a Participant; or (ii) for certain Hong Kong dollar money obligations, to the Clearing House of HKAB, to effect payment of the Intra-day Payment by HKSCC to that Participant during a Business Day or a Settlement Day, as the case may be;

**“Intra-day Payment Standing Instruction”**

means a standing instruction in such details as HKSCC may prescribe from time to time, given by a Participant other than an Investor Participant to HKSCC via the “Intra-day Payment Standing Instruction” maintenance functions of its CCASS Terminal, to request HKSCC to issue an Intra-day Payment Instruction in relation to Intra-day Payment on each

Business Day and/or each Settlement Day;

**“Investor Confirmation Report”**

means, in relation to a Designated Bank, a report provided by HKSCC to the Designated Bank showing details of the payment status of DDIs and debit EPIs, if any, as referred to in Section 16.7 and the CCASS Terminal User Guide for Designated Banks;

**“ISIN”**

means an ISIN (International Securities Identification Number) code uniquely assigned to security by the relevant National Numbering Agencies in accordance with Association of National Numbering Agencies Regulation ISO 6166;

**“ISO Message”**

means an electronic message transmitted through SWIFT;

**“Mainland Security Deposit Payable Report”**

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

**“Mainland Settlement Deposit Payable Report”**

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

**“Margin Multiplier”**

means a parameter defined by HKSCC at individual Participant level for the purpose of computation of Margin requirement of that Participant, as referred to in Section 10.10A;

**“Margin Rate”**

means the percentage determined by HKSCC to be applied to Marginable Position in the computation of Margin, as referred to in Section 10.10A;

**“Market Making Security”**

has the same meaning as “Market Making Security” in the Exchange Rules;

**“Marks and Margin Account”**

means, in relation to a Clearing Participant or a Clearing Agency Participant, a sub-account in the Money Ledger of that Participant which is used to record Marks and Margin on all unsettled stock positions of that Participant under the CNS System, as referred to in Section 10.10.11 or 10.10A.8;

**“Mass ATI”**

means an instruction of a Participant other than an Investor Participant, in such a form as HKSCC may from time to time prescribe as being valid, to effect book-entry movements of Eligible Securities from the Stock Clearing Account to a designated Stock Segregated

Account other than an SSA with Statement Service or a Special Segregated Account of the Participant in CCASS;

**“Mass STI”**

means an instruction of a Clearing Participant or a Custodian Participant, in such form as HKSCC may from time to time prescribe as being valid, to effect book-entry movements of Eligible Securities from the Stock Clearing Account to an SSA with Statement Service or a Special Segregated Account of the Participant in CCASS;

**“Miscellaneous Account”**

means, in relation to a Participant, a sub-account in the Money Ledger of that Participant which is used for recording miscellaneous money obligations between that Participant and HKSCC, as referred to in Section 2.4.2;

**“Money Ledger”**

means, in relation to a Participant, a statement of the outstanding money positions in CCASS between that Participant and HKSCC, as referred to Section 2.4;

**“Monthly Stock Balance Report”**

means, in relation to a Participant (other than an Investor Participant), a monthly statement provided by HKSCC to it showing the stock balances in each Eligible Security held in CCASS by the Participant as at the end of a month (as well as other securities entitlements which are not Eligible Securities) and the stock custody fee payable by the Participant for the month, as referred to in Section 16.6 (refer to the CCASS Terminal User Guide for Participants for details);

**“Net Favourable Mark”**

means, in relation to the relevant stock positions of a Clearing Participant or a Clearing Agency Participant under the CNS System, where the aggregate amount of the Favourable Marks in respect of such stock positions exceeds the aggregate amount of the Unfavourable Marks of such stock positions, the amount by which the aggregate amount of such Favourable Marks exceeds the aggregate amount of such Unfavourable Marks;

**“Net Unfavourable Mark”**

means, in relation to the relevant stock positions of a Clearing Participant or a Clearing Agency Participant under the CNS System, where the aggregate amount of the Unfavourable Marks in respect of such stock positions exceeds the aggregate amount of the Favourable Marks of such stock positions, the amount by which the aggregate amount of such Unfavourable Marks exceeds the aggregate amount of such Favourable Marks;

**“Next Settlement Day Due/Overdue Position Report”**

means, in relation to a Participant (other than an Investor Participant), a daily report provided by HKSCC to it showing the stock positions of the Participant which are due or overdue for settlement in CCASS on the current day, as referred to in Section 16.6 (refer to the CCASS Terminal User Guide for Participants for details);

**“Night Settlement”**

means the money settlement for SI Transactions in China Connect Securities in RMB starting at around 9:30 p.m. through the Clearing House of HKAB;

**“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 or for the account of Participants;

**“Nominee Payment (Evening) Standing Instruction”**

means a standing instruction in such details as HKSCC may prescribe from time to time, given by a Participant other than an Investor Participant to HKSCC via the “Nominee Payment (Evening) Standing Instruction” maintenance functions provided by its CCASS Terminal, requesting HKSCC to issue a DCI on each Business Day to effect evening distribution of cash payments arising out of nominee services by HKSCC to the Participant;

**“Non-cash Collateral”**

means collateral not in the form of cash, including Collateral Securities, that is accepted by HKSCC for credit to the CCMS House Collateral Account of a Participant to cover the Marks, Margin, Collateral and other obligations (actual and contingent) of the Participant due to HKSCC under the CNS System;

**“Non-cash Collateral Cap”**

means a percentage of Marks, Margin, Collateral and other obligations (actual and contingent) of a Participant, as determined by HKSCC from time to time in order to calculate the maximum amount of Non-cash Collateral that may be allowed as cover for the Marks, Margin, Collateral and other obligations (actual and contingent) of the Participant due to HKSCC under the CNS System. For the avoidance of doubt, the provision of Collateral Security to cover a part or the whole of a short CNS stock position from a Clearing Participant or Clearing Agency Participant for HKSCC’s waiver of computation of Marks and reduction of Marginable Position for computation of Margin required from such Participant will not be included in such calculation of the maximum amount of Non-cash Collateral;

**“Operating Guide for Investor Participants”**

means the “Operating Guide for Investor Participants” of HKSCC in relation to CCASS, containing information on the use of CCASS services by Investor Participants, as from time to time in force;

**“Participant Gateway Smartcard Password”**

means, in relation to a Participant Gateway of a Participant or a Designated Bank, a password specified by that Participant or Designated Bank or provided by HKSCC to that Participant or Designated Bank, the input of which is required before the Participant or the Designated Bank is allowed access to CCASS via the Participant Gateway, as referred to in Section 3;

**“Participant Supplied System” or “PSS”**

means the system developed according to HKSCC’s specifications and operated by a Participant other than an Investor Participant or a Designated Bank for the purpose of conducting CCASS related activities, and includes any server, terminal and any other device connected to it;

**“PC”**

means a personal computer used by a Participant other than an Investor Participant as a CCASS Terminal or a Participant Gateway;

**“Preferred Single Settlement Currency”**

means an Eligible Currency selected by a Clearing Participant and accepted by HKSCC as the currency for cash settlement of the shortfall in Marks and Margin of the Clearing Participant after the collateralization process under Section 10.15.3 of the Operational Procedures;

**“Provisional Clearing Statement” or “PCS”**

means, in relation to Exchange Trades executed on T-day for clearing and settlement by a Clearing Participant or in relation to Clearing Agency Transactions for clearing and

settlement by a Clearing Agency Participant or a Clearing Participant, a statement issued by HKSCC to that Participant on T-day, as referred to in Section 10.1.2;

**“Recipient”**

means, in relation to corporate communications, a person or company being a non-registered holder of Eligible Securities entitled under the Listing Rules and designated by a Participant to receive corporate communications, including but not limited to SSA Statement Recipient in respect of a SSA with Statement Service of a Clearing Participant or a Custodian Participant designated by that Participant;

**“RMS Authorised User”**

means, in relation to a Participant other than an Investor Participant, a person approved by that Participant in the manner prescribed by HKSCC from time to time as being authorised to access RMS on behalf of that Participant, as referred to in Section 3.4.2;

**“RMS Delegated Administrator”**

means, in relation to a Participant other than an Investor Participant, a person appointed by that Participant in a manner prescribed by HKSCC from time to time as being authorised to administer the access profile of a RMS Authorised User of that Participant via the RMS, as referred to in Section 3.3.2;

**“Rule Enforcement Team”**

means the division, department, section or unit of HKEX delegated from time to time by HKSCC with the responsibilities of, inter alia, investigating Participants’ compliance with the Rules and instigating disciplinary proceedings against Participants;

**“secondary counter”**

has the same meaning as defined in the Exchange Rules;

**“Securities and Futures Ordinance”**

means Chapter 571 of the laws of Hong Kong as in force from time to time, and unless the context otherwise requires, any subsidiary legislation made thereunder;

**“Securities Market Maker”**

has the same meaning as “Securities Market Maker” in the Exchange Rules;

**“Settled Position Report”**

means, in relation to a Participant (other than an Investor Participant), a daily report provided by HKSCC to it showing the stock positions in CCASS of the Participants which are settled on the day, as referred to in Section 16.6 (refer to the CCASS Terminal User Guide for Participants for details);

**“Settlement Account”**

means, in relation to a Clearing Participant or a Clearing Agency Participant, a sub-account in the Money Ledger of that Participant which is used for recording money obligations between that Participant and HKSCC arising from the settlement of stock positions under the CNS System, as referred to in Section 2.4.2;

**“Settlement Position Number”**

means a unique reference number assigned by HKSCC to each CNS stock position, Isolated Trade, SI Transaction and ISI Transaction;

**“Settlement Related EPI Listing”**

means, in relation to a Participant other than an Investor Participant, a report provided by HKSCC to the Participant showing details of EPIs issued by HKSCC for the settlement of



money obligations in relation to Isolated Trades, SI Transactions and ISI Transactions on a DVP basis, as referred to in Section 16.6 and the CCASS Terminal User Guide for Participants;

**“Settlement Report”**

means, in relation to a Participant other than an Investor Participant, a daily report provided by HKSCC to the Participant showing (i) all of its stock positions which are settled on the previous day; (ii) its stock positions, if any, which are cancelled, purged or revoked in CCASS on the previous day; and (iii) all of its stock positions which remain unsettled as at the end of the previous day;

**“S-day”**

means, in relation to a transaction in Eligible Securities, the due date of settlement of such transaction;

**“S-1”**

means the Settlement Day immediately preceding S-day;

**“S-2”**

means the Settlement Day immediately preceding S-1;

**“Shareholding Category Disclosure”**

means, in relation to China Connect Securities, the disclosure required to be made by a Participant other than an Investor Participant to HKSCC in respect of votes on shareholder resolutions cast by its clients based on such categorization or other parameter as HKSCC may prescribe from time to time according to the requirements of the relevant issuers or applicable laws, rules or regulations;

**“SI Activity Report”**

means, in relation to a Participant (other than an Investor Participant), a daily report provided by HKSCC to it showing (i) details of all SI input activities of the Participant on the previous day, and (ii) details of its SIs that are matched, revoked (either using a CCASS Terminal or via Synapse) or purged by CCASS before the end of the previous day, as referred to in Section 12.1.8 (refer to the CCASS Terminal User Guide for Participants for details);

**“SI Batch Input Control Report”**

means, in relation to a Participant (other than an Investor Participant) which is provided by HKSCC with facilities for SI batch file transfer, a report provided by HKSCC to it (after each individual SI batch validation run) showing the processing results of its SI batch file transfers, as referred to in Section 16.6 (refer to the CCASS Terminal User Guide for Participants for details);

**“SI Input Number”**

means a unique number assigned by HKSCC for each SI input by a Participant other than an Investor Participant;

**“SI Status Report”**

means, in relation to a Participant (other than an Investor Participant), a daily report provided by HKSCC to it showing its SIs which remain unmatched at the end of the previous day and its SIs that are matched but which are not yet due for settlement on the current day, as referred to in Section 12.8.3 (refer to the CCASS Terminal User Guide for Participants for details);

**“SPSA Delivery Failure”**

means the failed delivery of the relevant quantity of a China Connect Security from a Special

Segregated Account to a China Connect Clearing Participant for CNS settlement on a settlement day;

**“SSE Market”**

has the same meaning as defined in Chapter 14A of the Exchange Rules;

**“Statement of Money Ledger”**

means, in relation to a Participant (other than an Investor Participant), a daily statement provided by HKSCC to it showing the debit and credit entries to each sub-account of its Money Ledger, as referred to in Section 14.4.2 (v) (refer to the CCASS Terminal User Guide for Participants for details);

**“Statement of Stock Movement (By Account) Report”**

means, in relation to a Participant (other than an Investor Participant), a daily report provided by HKSCC to it showing by account the debit and credit entries made to its Stock Accounts, as referred to in Section 16.6 (refer to the CCASS Terminal User Guide for Participants for details);

**“Statement of Stock Movement (By Stock) Report”**

means, in relation to a Participant (other than an Investor Participant), a daily report provided by HKSCC to it showing by stocks the debit and credit entries made to its Stock Accounts, as referred to in Section 16.6 (refer to the CCASS Terminal User Guide for Participants for details);

**“STI Batch-run”**

means the process adopted by HKSCC to effect at stated times STI Transfers accepted by CCASS whereby Eligible Securities will be automatically debited from the delivering Stock Accounts of the Clearing Participants or Custodian Participants and credited to the receiving Stock Accounts of the Clearing Participants or Custodian Participants;

**“SWIFT”**

means the secured messaging services platform and interface software provided by the Society for Worldwide Interbank Financial Telecommunication;

**“Synapse Report”**

means the report to be available in Synapse in relation to Synapse-related activities as from time to time prescribed in the Synapse User Guide;

**“SZSE Market”**

has the same meaning as defined in Chapter 14B of the Exchange Rules;

**“Trade for trade”**

means, in relation to those transactions in Eligible Securities between Participants which are accepted for settlement in CCASS, those transactions which are not accepted for the settlement under the CNS System and settlement of each such transaction is processed in CCASS separately without any netting;

**“T+2”**

means the second Settlement Day following T-day;

**“T+3”**

means the third Settlement Day following T-day;

**“T+6”**

means the sixth Settlement Day following T-day;

**“TSF Confirmation Report”**

means the report to be provided by HKSCC to a TSF CCASS Participant setting out information regarding TSF Exchange Trades, TSF FX Transactions, Stock Release FX Transactions and other related information as referred to in Section 12A.2.3;

**“TSF Final FX Position”**

means, in relation to the settlement of TSF FX Transactions, the final money positions in respect of TSF Stocks for settlement by a TSF Clearing Participant and HKSCC, as determined in accordance with 12A.3.5;

**“TSF FX Position”**

means, in relation to the settlement of TSF FX Transactions, the money positions in respect of a TSF Stock for settlement by a TSF Clearing Participant and HKSCC, as determined in accordance with Section 12A.3.2;

**“TSF FX Transaction / Stock Release Activity / Status Report”**

means, in relation to (i) the maintenance activities of Stock Release Requests performed by the TSF CCASS Participants; and (ii) the settlement status of TSF FX Transactions and Stock Release FX Transactions on the current Business Day, a daily report provided by HKSCC to that Participant as referred to in Section 16.6 (refer to the CCASS Terminal User Guide for Participants for details);

**“TSF payment instruction”**

means the payment instructions generated by HKSCC in respect of TSF Final FX Positions as referred to in Section 12A.4.1 or in respect of money positions arising from Stock Release FX Transactions, as referred to in Section 12A.6.3(i);

**“TSF Payment Standing Instruction”**

means the standing instruction set up by a TSF Clearing Participant for the payment of TSF payment instructions via CPIs, as referred to in Section 12A.4.1(i);

**“TSF Share De-earmarking Process”**

means the process adopted by HKSCC to de-earmark TSF Stocks for the settlement of TSF Sell Exchange Trades, as referred to in Rule 12A09 and Section 12A.5.6;

**“TSF Share Earmarking Process”**

means the process adopted by HKSCC to earmark TSF Stocks following the settlement of TSF Buy Exchange Trades, as referred to in Rule 12A09 and Section 12A.5.4;

**“TSF stock position”**

means the net long or net short stock position in respect of a TSF Stock, as referred to in Section 12A.5.3;

**“Unfavourable Marks”**

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

**“User ID”**

means, in relation to a Participant other than an Investor Participant, a unique identification number provided by HKSCC to an Authorised User of that Participant to enable him to gain access to CCASS via the CCASS Terminal of the Participant, as referred to in Section 3.3.1.

- (c) When used in the Operational Procedures, 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 Operational Procedures 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 (which includes the Operational Procedures).

For the avoidance of doubt, if there is any conflict in meaning between the English version and Chinese version of a Rule (which includes a provision in the Operational Procedures), the English version shall prevail.

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## **Section 1**

### **Introduction**

#### **1.1 HKSCC**

Pursuant to the repealed Exchanges and Clearing Houses (Merger) Ordinance, HKSCC was converted from a company limited by guarantee to a company limited by shares and its constitution was amended accordingly. Following an allotment of shares prescribed by the repealed Ordinance, HKSCC became a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited.

#### **1.2 WHAT IS CCASS ?**

CCASS, established in June 1992, is a clearing and settlement system which provides book-entry settlement in securities among its Participants, either free of, or against, payment. It is the first of its kind in Hong Kong.

Only securities listed or to be listed on the Exchange will be accepted as Eligible Securities for settlement in CCASS and only brokers, clearing agencies, custodians, stock lenders and stock pledgees based in Hong Kong and such other persons as HKSCC may determine from time to time in accordance with the Rules will be accepted as Participants. HKSCC may from time to time accept other categories of securities, whether or not listed on the Exchange, as Eligible Securities and may admit other categories of participants.

#### **1.3 MAIN CCASS SERVICES**

The main services of CCASS are:

- (i) depository and custodian services, whereby Participants can maintain Eligible Securities in CCASS (for safe-keeping or settlement purposes) and can make deposits into or withdrawals out of CCASS, as reflected in Stock Accounts allocated to them by HKSCC;
- (ii) nominee and similar services in relation to Eligible Securities in CCASS, such as the distribution of dividends, interest and redemption proceeds, forwarding shareholders' circulars, appointment of proxies for voting, etc.;
- (iii) clearing and settlement services in relation to all Exchange Trades based on trade details received from the Exchange, either under the CNS System, whereby HKSCC becomes the settlement counterparty, or under the Isolated Trades System;
- (iiia) clearing and settlement services in relation to all Clearing Agency Transactions based on trade details received from the relevant Clearing Agency Participant, either under the CNS System, whereby HKSCC becomes the settlement counterparty, or under the

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Isolated Trades System;

- (iiib) China Connect Clearing Services, including clearing and settlement services in relation to all China Connect Securities Trades under the CNS System based on trade details received from the relevant SEHK Subsidiary and the relevant China Connect Clearing House, whereby HKSCC becomes the settlement counterparty to the relevant China Connect Clearing Participants, and nominee and depository services in relation to China Connect Securities held by Participants;
- (iv) nominee, clearing and settlement services in relation to issues of securities (other than New Issues, the services in relation to which are provided by HKSCC through FINI), such as receipt of and compliance with application instructions from Participants and the payment and receipt of refunds in respect of application moneys;
- (v) additional services in relation to the issue and redemption of Units, such as receipt of and compliance with instructions to pay or receive cash or to transfer securities on such issue and redemption and to repay cash and re-transfer securities on cancellation or rejection of such instructions;
- (vi) nominee, clearing and settlement services in relation to issues of Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments, such as receipt of and compliance with instructions from Participants to tender for Exchange Fund Notes or Specified Instruments or to apply for Government Bonds or CMU Instruments, and to pay moneys and receive refunds in respect of the tender or application (as the case may be);
- (vii) clearing and settlement services in relation to instructions to transfer Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments between Participants and (in the case of Exchange Fund Notes, Government Bonds and Specified Instruments) Recognized Dealers or (in the case of CMU Instruments) CMU Members;
- (viii) clearing and settlement services in relation to non-Exchange Trades between Participants (the details of such transactions being recorded in CCASS by the input of (a) in the case of Participants other than Investor Participants, Settlement Instructions by the two Participants involved in each such non-Exchange Trade or (b) an Investor Settlement Instruction by a Participant and, if required, affirmation by the relevant Investor Participant or being reported to HKSCC in such other manner as agreed between HKSCC and Participants);
- (ix) money settlement services, in relation to nominee services involving payments (e.g. distribution of dividend payments), or settlement services to be made against payment, whereby HKSCC will, based on details already recorded in CCASS, generate electronic payment instructions to the Designated Banks of Participants or for certain Hong Kong dollar money obligations, the Clearing House of HKAB, as the case may be, for processing;

- (x) the provision of comprehensive statement and/or reporting services to assist and enhance the use of CCASS by Participants in order to enable Participants to obtain the maximum benefit from CCASS; and
- (xi) the provision of risk monitoring and risk management services in relation to CNS stock positions via RMS.

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

#### **1.4 ADDITIONAL SERVICES**

HKSCC provides nominee, clearing and settlement services in relation to Electronic Application Instructions for New Issue Shares through FINI.

HKSCC also provides settlement and clearing services in relation to Foreign Securities. Those settlement and clearing services may not be provided through CCASS.

HKSCC, as TSF operator, may also provide FX Services to TSF CCASS Participants for the purpose of facilitating the settlement of (i) TSF FX Transactions arising from TSF Exchange Trades; and (ii) Stock Release FX Transactions arising from Stock Release Requests.

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## **Section 2**

### **Participants**

#### **2.1 ADMISSION OF PARTICIPANTS**

##### **2.1.1 Categories of Participants**

There are seven categories of Participants, namely:

- (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.

##### **2.1.2 Admission criteria**

The admission criteria and conditions applicable to each category of Participants are set out in detail in the Rules and in the prescribed application documents. The prescribed application documents are available from HKSCC.

##### **2.1.3 Prescribed application documents**

An applicant should complete and submit the prescribed application documents, including the completed application form, a signed Participant Agreement in the prescribed form for the relevant category of Participant, together with all relevant supporting documents to HKSCC.

##### **2.1.4 Processing of applications**

An application will usually take HKSCC up to eight weeks to process and applicants will be notified in writing of HKSCC's decision.

Before being formally admitted as a Participant, an applicant has to fulfil the admission criteria and other requirements including the payment of an admission fee for Participants other than Investor Participants and signing of the Participant Agreement or Terms and Conditions, as applicable.

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 decisions, appeal in writing to the Participant Admission Appeals Committee in accordance with Section 2.8. The decision of the Participant Admission Appeals



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Committee will be final and conclusive.

## **2.2 ADMISSION FEE**

### **2.2.1 Amount of admission fee**

Before being formally admitted as a Participant other than an Investor Participant, an applicant must pay an admission fee to HKSCC as follows :

- (i) for a prospective Clearing Agency Participant, the sum of HK\$1,000,000;
- (ii) for a prospective Custodian Participant, the sum of HK\$1,000,000;
- (iii) for a prospective DCP, the sum of HK\$50,000 in respect of each Stock Exchange Trading Right held by the applicant;
- (iv) for a prospective GCP, HK\$50,000 or the sum of HK\$50,000 in respect of each Stock Exchange Trading Right held by the applicant whichever is the higher;
- (v) for a prospective Stock Lender Participant, the sum of HK\$200,000; and
- (vi) for a prospective Stock Pledgee Participant, the sum of HK\$200,000.

The admission fees payable are subject to change from time to time, as specified by HKSCC.

### **2.2.2 Additional admission fee payable upon acquisition of additional Stock Exchange Trading Rights**

Clearing Participants acquiring additional Stock Exchange Trading Rights will be required to pay to HKSCC separate admission fee of HK\$50,000 in respect of each additional Stock Exchange Trading Right acquired.

### **2.2.3 Use of admission fees**

The admission fees payable by Participants other than Investor Participants are intended to assist in financing the operations and enhancements of CCASS and the development of new and ancillary services to CCASS by HKSCC.

### **2.2.4 HKSCC may refund admission fee**

Although not strictly obliged to do so, HKSCC aims to refund the admission fee paid by a Participant without interest after a period of seven years from the date of its admission as a Participant or upon the termination of its participation in CCASS, whichever is the later. All sums owing to HKSCC may be deducted by HKSCC before any such refund is made.

HKSCC may refund the admission fee paid by a Clearing Participant calculated as HK\$50,000 in respect of each Stock Exchange Trading Right being relinquished by it.

HKSCC may in its discretion make an earlier refund of the admission fees received by it to Participants.

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

### **2.3.1 Types of Stock Accounts**

There are five types of Stock Account in CCASS, namely :

- (i) Stock Clearing Account;
- (ii) Stock Segregated Account;
- (iii) Stock Collateral Control Account;
- (iv) Stock Lending Account; and
- (v) TSF Account.

### **2.3.2 Number of Stock Accounts**

Each Participant other than an Investor Participant will have one Stock Clearing Account and may have, subject to HKSCC's approval, one Stock Lending Account and such number of Stock Segregated Accounts as HKSCC may in its absolute discretion determine from time to time.

A Clearing Participant will, in addition to the abovementioned accounts, be allocated one Stock Collateral Control Account. Where the Participant is a TSF CCASS Participant, the Participant will, in addition to the abovementioned accounts, be allocated one TSF Principal Account and one TSF Segregated Account. Where the Participant is 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 and references in these Operational Procedures 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 will be allocated one Stock Clearing Account.

### **2.3.3 Assigned account numbers**

For ease of identification, each Stock Account of a Participant will be assigned an account number.

The Stock Clearing Account will have an assigned or re-assigned account number 1.

The Stock Segregated Accounts of a Participant will be assigned or re-assigned account numbers from 2 onwards (other than 17 to 20). Unless otherwise specified by HKSCC, SSA with Statement Service will be assigned account numbers from 21 onwards. Special Segregated Accounts will be assigned account numbers from 80000000 to 80099999.

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The Stock Collateral Control Account of a Clearing Participant or a Clearing Agency Participant which is a China Connect Clearing House will have the assigned account number 20.

The Stock Lending Account of a Participant will have the assigned account number 19.

The TSF Accounts of a TSF CCASS Participant will have the assigned account number 17 for its TSF Segregated Account and 18 for its TSF Principal Account.

#### **2.3.4 Book-entry record of Eligible Securities**

The Eligible Securities of a Participant in CCASS will be recorded in its Stock Account(s).

At the time of deposit of Eligible Securities, a Participant other than an Investor Participant may designate one or more Stock Accounts, other than the Stock Collateral Control Account and the TSF Accounts (if the Participant is a TSF CCASS Participant), to be credited with such Eligible Securities.

A Participant may move Eligible Securities between its Stock Accounts, other than its Stock Collateral Control Account, SSA with Statement Service and Special Segregated Accounts, by the input of an "Account Transfer Instruction" or by the upload of an "ATI Batch File" or from its Stock Clearing Account to a Stock Segregated Account other than an SSA with Statement Service or a Special Segregated Account by the input of a "Mass ATI".

A Clearing Participant or a Custodian Participant may move Eligible Securities from one of its Stock Accounts, other than the Stock Collateral Control Account and any one of its TSF Accounts (if the Clearing Participant or Custodian Participant is a TSF CCASS Participant), to any one of its SSA with Statement Service or Special Segregated Accounts, or vice versa by the input of a "Stock Segregated Account Transfer Instruction" or by the upload of an "STI Batch File" or from its Stock Clearing Account to an SSA with Statement Service or a Special Segregated Account by the input of a "Mass STI".

Subject to the Rules, a Clearing Participant or a Custodian Participant may, in respect of each SSA with Statement Service of the Participant, authorise the SSA Statement Recipients named and/or maintained by the Participant in relation to the SSA with Statement Service to give affirmation to STI input (and authorised, if required) by the Participant before the STI is accepted by HKSCC. Any STI input (and authorised, if required) by a Clearing Participant or a Custodian Participant in relation to a SSA with Statement Service which is to be affirmed by the relevant SSA Statement Recipient is a STI (with affirmation) and otherwise a STI (without affirmation).

A Clearing Participant or a Custodian Participant inputting a STI shall state in the STI whether the STI Transfer is to be effected on a DVP or FOP basis. Any STI transmitted through Synapse involving China Connect Securities shall be effected on an FOP basis only. STI Transfer to be effected on a DVP basis is only available to the STI Transfer with Eligible Securities debited from SSA with Statement Service. For STI Transfer to be

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effected in CCASS on a DVP basis, upon the completion of transfer of the Eligible Securities, HKSCC will issue EPIs in the normal way to the Designated Banks of the Clearing or Custodian Participants concerned to effect payment and cause credits to the bank accounts of SSA Statement Recipients.

Delivery of Eligible Securities under an STI Transfer (other than that involving a Special Segregated Account) will be effected by HKSCC by way of on-line delivery upon input (and authorisation and affirmation, if required) of an STI if there are sufficient Eligible Securities in the delivering Stock Account at the time of input or an STI Batch-run.

Delivery of Eligible Securities under an STI Transfer involving a Special Segregated Account will be effected by HKSCC as follows:

- (i) the STI Transfer will be placed in the “Pending for Transfer” status if input and authorisation of the STI are made between 8:15 a.m. and the time the FCS is available to the China Connect Clearing Participant, and will be effected by HKSCC if there are sufficient Eligible Securities in the delivering Stock Account at the time of an STI Batch-run in accordance with Section 6.2.2; and
- (ii) the STI Transfer will be placed in the “Transferred” status and effected by HKSCC immediately if input and authorisation of the STI are made at a time after the FCS is available to the China Connect Clearing Participant and before the final CNS Batch-settlement-run and there are sufficient Eligible Securities in the delivering Stock Account,

provided that if the STI Transfer in either of the above cases involves the delivery of an Eligible Security from a non-Special Segregated Account to a Special Segregated Account, the STI Transfer will be effected only if the China Connect Clearing Participant has no outstanding CNS short position in the same Eligible Security.

Delivery of Eligible Securities in CCASS from one Participant to another will be achieved by means of a debit entry to the Stock Account (other than the Stock Collateral Control Account) of the delivering Participant and a corresponding credit entry to the Stock Account (other than the Stock Collateral Control Account) of the receiving Participant.

### **2.3.5 Stock Clearing Account**

The Stock Clearing Account of each Participant will be the main Stock Account in CCASS used for settlement purposes (i.e. to make or take delivery of Eligible Securities).

With only one exception, the Stock Clearing Account of a Participant will always be used to make or take delivery of Eligible Securities to or from other Participants.

For example, under Batch-settlement-runs conducted by HKSCC on each Settlement Day, subject to availability, Eligible Securities will be debited from the Stock Clearing Accounts of the delivering Participants and credited to the Stock Clearing Accounts of the receiving Participants.

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The only case where the Stock Clearing Account of a Participant will not be used is where a Participant other than an Investor Participant initiates delivery of Eligible Securities in CCASS to another Participant by the use of a “Delivery Instruction” or “DI”. In such a case, the delivering Participant may elect to make use of Eligible Securities in any stated Stock Accounts, other than the Stock Collateral Control Account or the TSF Accounts (if the delivering Participant is a TSF CCASS Participant), it has, including its Stock Segregated Accounts.

### **2.3.6 Stock Segregated Accounts**

In the case of Participants other than Investor Participants, Stock Segregated Accounts are provided to facilitate their internal record keeping. Each such Participant will have at least one Stock Segregated Account (with an assigned or reassigned account number of 2), which will be designated as its Entitlement Account. An Investor Participant will not be allocated Stock Segregated Accounts. Eligible Securities allocated to a Participant other than an Investor Participant as a result of Electronic Application Instructions for New Issue Shares or Tender Instructions will be credited to the Entitlement Account of the Participant.

Except in limited circumstances (eg. adjustment for errors made or adjustments to the Entitlement Account for outstanding benefit entitlements under the CNS System or in the event of default in payment of tender monies), HKSCC will not normally access the Eligible Securities in the Stock Segregated Accounts of a Participant, except in accordance with the instructions of that Participant.

Under the Rules, HKSCC may rectify erroneous credit entries made to the Stock Segregated Accounts of a Participant, including the right to debit the Stock Segregated Accounts of such Participant in respect of Eligible Securities deposited by it which are found to be defective. This may have an effect on third parties, such as the Participant's customers, who are not responsible for the defective Eligible Securities and who may be recorded on the Participant's books as having an interest in Eligible Securities in the Participant's Stock Segregated Account which were the subject of a debit by HKSCC under the Rules. Such third parties should pursue any claim to such securities against the Participant.

However, in the event of the insolvency, or similar proceeding, affecting the Participant, HKSCC will consider claims from the Participant, its liquidator or trustee in bankruptcy, concerning third parties who had an interest recorded on the Participant's book in relevant Eligible Securities in a Stock Segregated Account of the Participant at the time such account was the subject of a debit made by HKSCC under the Rules and who were not responsible for a deposit of defective Eligible Securities. If HKSCC is satisfied that such a claim has been established, HKSCC will normally undertake to return relevant Eligible Securities, or if that is not possible or reasonably practicable, as determined by HKSCC, to make money compensation by reference to the value of such Eligible Securities at the time the Stock Segregated Account was the subject of the debit made by HKSCC under the Rules (or the value at such other time as HKSCC shall consider to be fair and appropriate).

Depending on applicable law, HKSCC may make such a return of Eligible Securities or

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make money compensation to a liquidator or similar person appointed in relation to the relevant Participant. Notwithstanding the foregoing, HKSCC's obligations under this procedure shall in no event exceed the number of Eligible Securities debited from the relevant Stock Segregated Account by HKSCC under the Rules (or the value of such securities at the time of such debit) and HKSCC may in its discretion and if applicable, apportion return of Eligible Securities or money compensation in any manner it considers to be fair and appropriate.

### **2.3.7 Entitlement Account**

The Entitlement Account of a Participant will be used for the purpose of (a) receiving securities entitlements (whether or not Eligible Securities) accruing to Eligible Securities collected by HKSCC or its nominee on the Participant's behalf and (b) receiving Eligible Securities allocated to a Participant as a result of an electronic application instructions for New Issue Shares or a Tender Instruction which has been successful. The Entitlement Account will also be used for adjustments to be made for claims for benefit entitlements as a result of late deliveries under the CNS System (see Section 10.9). An Investor Participant will not be allocated an Entitlement Account, allocated securities will be credited to his Stock Clearing Account.

### **2.3.8 Opening and closing Stock Segregated Accounts**

If a Participant wishes to open additional Stock Segregated Accounts, close existing ones, or change account names, it must apply in the prescribed manner to HKSCC. HKSCC reserves the right not to entertain such requests. Participants are fully responsible for the opening, closing or changing the details of their Stock Segregated Accounts.

In respect of the maintenance of Stock Segregated Accounts other than SSA with Statement Service and Special Segregated Accounts, please see CCASS Terminal User Guide for Participants for the form.

In respect of the maintenance of SSA with Statement Service by Clearing Participants and Custodian Participants, the account maintenance functions are available for use by the Clearing Participants or Custodian Participants through their CCASS Terminals or Participant Gateways.

In respect of the maintenance of Special Segregated Accounts by Custodian Participants or GCPs which are not Exchange Participants, the account maintenance functions are available for use by the Custodian Participants or GCPs through their CCASS Terminals or Participant Gateways. Custodian Participants and GCPs are required to provide to HKSCC such information in respect of their Special Segregated Accounts and in such form as HKSCC may from time to time specify.

Upon the opening of a SSA with Statement Service, the Clearing Participant or Custodian Participant shall name a single SSA Statement Recipient in respect of that SSA with Statement Service and HKSCC is authorized under Section 3.4A to, among others, furnish advices, statements and reports relating to that SSA with Statement Service to the SSA Statement Recipient. Clearing Participants or Custodian Participants should furnish the

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necessary terms and conditions as specified by HKSCC from time to time to its SSA Statement Recipients.

### **2.3.9 Names of Stock Segregated Accounts**

Other than the Entitlement Account, Participants may assign names to the other Stock Segregated Accounts in the manner from time to time prescribed by HKSCC.

### **2.3.10 Stock Collateral Control Account**

The Stock Collateral Control Account of a Clearing Participant or a Clearing Agency Participant which is a China Connect Clearing House will be used to record the Collateral Securities that have been transferred from the Stock Accounts of that Participant to its CCMS Collateral Account(s) to secure:

- (i) payment of Marks, Margin and/or Collateral payable by that Participant pursuant to the Rules;
- (ii) all 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) 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) the discharge and satisfaction of all other obligations (actual or contingent) of the Participant to HKSCC.

Such Collateral Securities will also secure HKSCC's waiver of computation of Marks and reduction of Marginable Position for computation of Margin required from the Participant.

### **2.3.11 Stock Lending Account**

The Stock Lending Account of a Participant will be used to take delivery of Eligible Securities which are made available by the Participant for stock lending to HKSCC on the terms of the Compulsory Stock Borrowing and Lending Regulations. A Participant other than an Investor Participant may apply to open a Stock Lending Account by completing, signing and submitting to HKSCC its prescribed form (see CCASS Terminal User Guide for Participants for the form).

### **2.3.12 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 with or without receiving an application from the Participant.

Cash in Hong Kong dollar and other currencies recorded as credit entries in any CCMS Collateral Account of the Participant are amounts paid by the Participant to HKSCC. The

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only obligation of HKSCC to 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.

HKSCC shall have a first fixed charge over the Collateral Securities from time to time credited to any CCMS Collateral Account of the Participant and the Derived Assets.

Participants will not be allowed to use or withdraw the Collateral Securities credited to the CCMS Collateral Account of a Participant except as permitted by HKSCC (see Section 10.15).

Under the Rules, HKSCC may sell or apply the Charged Property of a Participant without further reference to the Participant and the only obligation of HKSCC to such Participant in respect of the Charged Property 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 the said obligations and liabilities (actual or contingent).

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.

### **2.3.13 TSF Accounts**

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 TSF CCASS Participant's main Stock Account where earmarking or de-earmarking of TSF Stocks is effected through the transfer of TSF Stocks into or out of this Account. The TSF Principal Account is the account which HKSCC may credit TSF Stocks to where a TSF Buy Exchange Trade has been settled and the account which HKSCC may debit earmarked TSF Stocks 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.

A TSF CCASS Participant may transfer its earmarked TSF Stocks between its TSF Principal Account and its TSF Segregated Account, by the input of an ATI or by the upload of an "ATI Batch File".

A TSF CCASS Participant may, transfer its earmarked TSF Stocks from its TSF Account to another TSF CCASS Participant's TSF Account, by the input of a SI or by the upload of a "SI Batch File".

A TSF CCASS Participant will not be allowed to withdraw the earmarked TSF Stocks



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directly from its TSF Accounts. Such Participant may release the TSF Stocks from its TSF Accounts to other Stock Accounts in CCASS, other than the Stock Collateral Control Account, an SSA with Statement Service or a Special Segregated Account, by inputting and authorising a “Stock Release Request” (see Section 12A.6.1) prior to any withdrawal being made.

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

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

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

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

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

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the sellable balance of the Special Segregated Account of any other client for whom the China Connect Clearing Participant is responsible for clearing and settling a buy trade in the same China Connect Security on the same Trading day and the delivery of the relevant quantity of the China Connect Security to the Special Segregated Account of such client is affected by the SPSA Delivery Failure.

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

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

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

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

HKSCC will aggregate the sellable balance of the Special Segregated Accounts mapped to a Master SPSA ID on each Trading day to form the sellable balance of the Master SPSA ID for pre-trade checking purpose and the sellable balance of the relevant Special Segregated Accounts will be deemed to be zero on each such Trading day. Upon any Special

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Segregated Account ceasing to be mapped to a Master SPSA ID, the sellable balance of such Special Segregated Account will not be aggregated to the sellable balance of the Master SPSA ID and the sellable balance of such Special Segregated Account will be used for pre-trade checking in accordance with Section 2.3.15.

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

## **2.4 MONEY LEDGER**

### **2.4.1 Use of Money Ledger**

Each Participant will have a Money Ledger for each Eligible Currency in CCASS, or, in the case of a Clearing Agency Participant which is a China Connect Clearing House, will have a Money Ledger for each Eligible Currency for each set of Stock Accounts allocated to it in CCASS, and references in the Rules to the Money Ledger of 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 Money Ledger in respect of an Eligible Currency allocated to it in respect of each Special Participant or the relevant Special Participant, unless the context requires otherwise. The Money Ledger of a Participant will be used to record its money positions owed to or due from HKSCC in that Eligible Currency (and in respect of the relevant Special Participant in the case of a Clearing Agency Participant participating in CCASS in its capacity as a China Connect Clearing House).

### **2.4.2 Sub-accounts of a Money Ledger**

A Money Ledger of a Participant in respect of an Eligible Currency may consist of the following sub-accounts :

- (i) Settlement Account;
- (ii) Marks and Margin Account;
- (iii) [Repealed];
- (iv) Entitlements Account;
- (v) Billing Account; and
- (vi) Miscellaneous Account.

Only Clearing Participants and any Clearing Agency Participant which is a China Connect Clearing House will have the first two sub-accounts, namely the Settlement Account and the Marks and Margin Account. All these sub-accounts are relevant to the operation of the CNS System.

The sub-accounts of a Money Ledger are used to categorise the money positions of a

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Participant in an Eligible Currency in CCASS by their nature. For example, money positions arising from the delivery of Eligible Securities under the CNS System in an Eligible Currency will be booked to the Settlement Account in that Eligible Currency. The stock lending fee payable to a Lender under a Compulsory Stock Borrowing Transaction will be booked to the Lender's Miscellaneous Account.

### **2.4.3 Money not held by HKSCC**

Unlike Eligible Securities, a Participant's money is in most cases not actually deposited with or held by HKSCC. Such money is in fact usually held in the Designated Bank(s) of the Participant.

The Money Ledger of a Participant is merely a statement of the outstanding money positions in an Eligible Currency between that Participant and HKSCC, to be settled between them.

Money obligations between a Participant and HKSCC in an Eligible Currency which are recorded in the sub-accounts of its Money Ledger will be settled on a daily basis at day end by HKSCC issuing "Direct Debit Instructions" or "DDIs" or "Direct Credit Instructions" or "DCIs" to the Designated Bank of the Participant, except that (i) money obligations of CNS stock positions in China Connect Securities will be settled on a daily basis by HKSCC issuing "CHATS Payment Instructions" or "CPIs" to the Designated Bank of the Participant or a bank designated by HKSCC on T-day or T+1, as the case may be, in accordance with Section 10A.4.5; (ii) Intra-day Payments during a Business Day or a Settlement Day will be effected on the same day by way of "Intra-day Payment Instructions" or "IPIs" issued to the Designated Bank of the Participant and the Clearing House of HKAB, where applicable, for certain money obligations in Hong Kong dollars at around 2:30 p.m. or such other time as may be specified by HKSCC; (iii) the Billing Account for Participants other than Investor Participants will be settled in Hong Kong dollars by EPIs on a weekly basis and the Billing Accounts for Investor Participants will be settled in Hong Kong dollars by DDIs on a monthly basis; and (iv) dividend collection fees and interest collection fees will be collected by HKSCC in the Eligible Currencies in which the relevant securities are denominated and deducted by HKSCC at source before payment. Please refer further to Section 14.

Money obligations as between Participants arising out of the settlement of transactions in CCASS on a trade for trade basis or as a result of Electronic Application Instructions for New Issue Shares are not recorded in the Money Ledgers of Participants. Details of such money obligations are set out in the statements, the Settlement Reports or the relevant FINI Report (as the case may be) of Participants, which are available on a daily or activity driven basis. HKSCC will also facilitate settlement of such money obligations. Please refer further Sections 11.5, 12.1.7 and 12.3.7.

## **2.5 AUTHORISED SIGNATORIES**

**2.5.1** Subject to 2.5.2, each Participant (other than an Investor Participant) must provide HKSCC with a list of authorised persons as its Authorised Signatories to give written instructions to

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HKSCC in connection with any matters relating to its participation and operations in CCASS and to perform, inter alia, any or all of the following functions on behalf of the Participant:-

- (a) authorise deposits and withdrawals of securities into and from its Stock Accounts, other than Stock Collateral Control Account or TSF Accounts (if the Participant is a TSF CCASS Participant), in CCASS and sign and submit the relevant forms to HKSCC, and “sign”, in relation to Stock Deposit Forms, includes the affixing or making of a stamped impression of the signature;
- (b) establish the list of its "Authorised Users" and RMS Authorised Users in CCASS and, where applicable, their "Access Level" and "Input Transaction Limit" as described in the respective Sections 3.4.1, 3.4.2, 3.5.3, 3.5.4 and 3.5A of the Operational Procedures and sign and submit the relevant forms to HKSCC;
- (ba) authorise and/or amend the list of its "Delegated Administrators" and RMS Delegated Administrators in CCASS and, where applicable, their "Administration Rights" as described in the respective Sections 3.3.1, 3.3.2, 3.5.2 and 3.5A of the Operational Procedures, and sign and submit the relevant forms to HKSCC;
- (c) authorise change of its Designated Bank or Designated Bank Account for CCASS money settlement and sign and submit the relevant forms to HKSCC;
- (d) authorise the installation of additional CCASS Terminal(s) and additional Participant Gateway(s) and sign and submit the relevant forms to HKSCC;
- (e) notify HKSCC of any changes in any of the information provided in relation to its application for admission as a CCASS participant, including company name, Designated Officer or Alternate Designated Officer and correspondence address by signing and submitting the relevant forms to HKSCC; and
- (f) authorise Transfer Instructions.

**2.5.2** A Corporate Investor Participant may appoint up to six persons as its Authorised Signatories to give written instructions to HKSCC in connection with any matters relating to its participation and operations in CCASS including, inter alia, the deposit and withdrawal of securities from its Stock Account in CCASS, amending the list of its "Authorised Users" in CCASS, notifying HKSCC of changes to its Designated Bank Account and any changes in any information provided to HKSCC. For the avoidance of doubt, Individual and Joint Individual Investor Participants are not entitled to appoint Authorised Signatories.

**2.5.3** Participants must inform HKSCC at least five Business Days in advance of any change in their lists of Authorised Signatories by completing and submitting the prescribed documents to HKSCC.

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**2.5.4** A Joint Individual Investor Participant is deemed to have authorised HKSCC to accept instructions (a) from any one individual member in relation to deposits, withdrawals, affirm ISIs, Tender Instructions, Transfer Instructions, instructions relating to nominee activities and enquiries on the Stock Account and (b) from all individual members in relation to changes to its Designated Bank Account, changes to any details of the Joint Individuals Investor Participant previously provided and termination of its participation in CCASS.

**2.6 DESIGNATED OFFICER AND ALTERNATE DESIGNATED OFFICER**

Each Participant other than an Investor Participant must designate a person as its Designated Officer, and in his absence, an Alternate Designated Officer as being the person to be contacted by HKSCC in case of need in respect of matters relating to such Participant's daily operations in CCASS.

Each Corporate Investor Participant must designate a person resident in Hong Kong as its Designated Officer as being the person to be contacted by HKSCC in case of need. A Corporate Investor Participant is not entitled to appoint an Alternate Designated Officer.

Participants other than Individual and Joint Individual Investor Participants are requested to channel all enquiries through the Designated Officer or the Alternate Designated Officer of such Participant to HKSCC in respect of all CCASS operational matters relating to the Participant.

Participants (other than Corporate Investor Participants) must inform HKSCC in writing of any change of their Designated Officer and/or Alternate Designated Officer and Corporate Investor Participants must inform HKSCC in writing of any change of their Designated Officer by completing and submitting the prescribed form at least three Business Days before the change takes effect.

**2.7 LIST OF PARTICIPANTS**

HKSCC will maintain a list of Participants which does not include the names of Investor Participants on HKEX Website.

**2.8 APPEAL TO THE PARTICIPANT ADMISSION APPEALS COMMITTEE**

**2.8.1 Membership of the Participant Admission Appeals Committee**

The Participant Admission Appeals Committee shall have 3 members, and all 3 members must attend the hearing to form a quorum. The three members shall be:

- (a) the chairman of the Participant Admission Appeals Committee who shall be an independent non-executive director of HKEX to be appointed by the chairman of HKEX;
- (b) a director of the Board who is not involved in the day to day operations of HKSCC to be appointed by the chairman of the Participant Admission Appeals Committee; and
- (c) an independent non-executive director of HKEX to be appointed by the chairman of the Participant Admission Appeals Committee.

**2.8.2 Secretary**

The Participant Admission Appeals Committee shall have a secretary to carry out any administrative functions.

**2.8.3 Time for appeal**

If HKSCC rejects an application to admit as a Participant, the applicant (other than applicant for Investor Participantship) may appeal to the Participant Admission Appeals Committee by service of a notice in writing to the secretary within 14 Business Days of being notified of HKSCC's decision.

**2.8.4 Notice of appeal**

A notice of appeal shall set out the name of the appellant, the decision appealed against, the grounds of appeal, all material facts and attaching copies of all documents relevant to the appeal.

The appellant shall provide HKSCC with all information for the application to admit as a Participant before seeking to appeal against HKSCC's rejection.

The appellant shall not seek to present to the Participant Admission Appeals Committee new information or evidence that was not previously submitted with its application to admit as a Participant.

If the secretary upon receipt of the appeal application discovers that the appellant seeks to adduce any new information, the secretary shall request the appellant to withdraw its appeal application and re-submit an application to admit as a Participant.

**2.8.5 Notice of hearing**

The Participant Admission Appeals Committee shall fix a date for the hearing within 30 Business Days after receipt of the appellant's written application together with the information required under first paragraph of Section 2.8.4 and the secretary shall notify the appellant of the date of hearing.

The secretary's notice to the appellant shall set out the time, date and place of the hearing and shall be delivered to the business address of the appellant by hand or by registered mail no later than 14 Business Days before the hearing.

**2.8.6 Attendance**

The hearing will be held in private. The appellant can attend the hearing by the personal attendance of an appropriate and authorised representative.

The appellant shall have the right to be represented by a solicitor and/or counsel at the hearing before the Participant Admission Appeals Committee. If the appellant wishes to be represented by a solicitor and/or counsel at the hearing before the Participant Admission Appeals Committee, it shall notify the secretary of the name of the solicitor and/or counsel representing it at least 7 Business Days before the hearing takes place.

The Participant Admission Appeals Committee may seek external legal representation at the hearing.

At least 3 Business Days before the hearing, the appellant shall provide the secretary with a

list of all persons attending the hearing and the respective capacity in which such persons will attend the hearing.

If the appellant fails to attend the hearing before the Participant Admission Appeals Committee, the Participant Admission Appeals Committee hearing may proceed in the absence of the appellant and dispose of the matter in whatever manner as it sees fit.

**2.8.7 The hearing**

The appellant and/or its legal representatives may make an oral presentation or submission before the Participant Admission Appeals Committee in the hearing. The Participant Admission Appeals Committee may ask any persons attending the hearing any questions relevant to the admission application.

At any hearing, the Participant Admission Appeals Committee may, at its full discretion, admit or reject any evidence adduced, whether oral or written, and attach such weight to the evidence as the Participant Admission Appeals Committee considers appropriate in its discretion.

**2.8.8 Decisions on appeal**

The Participant Admission Appeals Committee will consider the evidence, written and oral, presented to it in coming to its decision.

The secretary shall notify the appellant in writing of the decision of the Participant Admission Appeals Committee as soon as practicable and in any event no later than 30 Business Days after the hearing. The decision of the Participant Admission Appeals Committee shall be final and conclusive.



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## **Section 3**

### **CCASS Terminals/CCASS Phone System/CCASS Internet System/ Participant Gateways/RMS**

#### **3.1 DIRECT LINKAGE**

##### **3.1.1 Use of PCs for direct linkage to CCASS**

With the exception of Investor Participants and unless otherwise authorised by HKSCC pursuant to Rule 704, each Participant or its Settlement Agent is required to be directly linked to CCASS via dedicated data communication links through the use of a PC or multiple PCs at the Participant's office premises or its Settlement Agent's office premises located in Hong Kong or in a foreign jurisdiction.

With the exception of Investor Participants, each Participant or its Settlement Agent, in addition to the requirement set out in Section 3.1.1 above, may also be directly linked to CCASS via dedicated data communication links through the installation of a Participant Gateway to the host computer of HKSCC at the Participant's office premises or its Settlement Agent's office premises located in Hong Kong.

All Designated Banks are also required to install CCASS Terminals. In addition, a Designated Bank may also be directly linked to CCASS via dedicated data communication links through the installation of a Participant Gateway to the host computer of HKSCC at the Designated Bank's office premises located in Hong Kong (see Section 3.9). Designated Banks are responsible for bearing their own costs relating to their CCASS Terminals and Participant Gateways (whether in respect of installation, maintenance, connection or otherwise).

Unless otherwise approved by HKSCC, Investor Participants are not entitled to install CCASS Terminals, Participant Gateways or have access to RMS. They may access CCASS via the CCASS Phone System using a touch-tone phone, via the CCASS Internet System, or at the Customer Service Centre.

##### **3.1.2 Repealed**

##### **3.1.3 Technical requirements**

The technical requirements for interface with the CCASS host computer of HKSCC are contained in the CCASS Terminal User Guide for Participants, the RMS Guide and the CCASS Terminal User Guide for Designated Banks, which can be found on the HKEX website.

##### **3.1.4 Participants responsible for costs etc.**

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

##### **3.1.5 Participants responsible for the use of CCASS**

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Participants shall take steps to protect their own computer systems. HKSCC does not warrant that CCASS is free from viruses or other harmful components or that it will be uninterrupted, error free or without delay in information transmission or processing. HKSCC makes no warranty of any kind, whether express or implied, as to the use of CCASS. Neither HKSCC nor any of its affiliates shall be liable for any damages, whether direct or indirect, incidental, special, punitive, consequential or otherwise, that may result from a Participant's reliance on or use of any information or services provided through CCASS, from any unauthorised access to CCASS by a third party, or from any error, omission, data deletion, delay, interruption, defect or failure in the operation or performance of CCASS.

## **3.2 COMMISSIONING OF CCASS TERMINALS AND PARTICIPANT GATEWAYS**

### **3.2.1 Commissioning**

Participants and Designated Banks must apply in the prescribed manner to HKSCC for the installation of a CCASS Terminal. Participants and Designated Banks who wish to install a Participant Gateway in addition to a CCASS Terminal must also apply in the prescribed manner to HKSCC.

Participants and Designated Banks may install a CCASS Terminal by themselves or engage service vendors from time to time appointed by HKSCC to install a CCASS Terminal for them. Participants and Designated Banks who wish to install a Participant Gateway should engage service vendors to provide the relevant installation services at their own cost and expense.

The application for and the installation of CCASS Terminals and Participant Gateways shall be subject to such conditions and requirements as HKSCC may from time to time prescribe.

### **3.2.2 Number and location of CCASS Terminals and Participant Gateways**

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

A Participant who wishes to install an additional CCASS Terminal or an additional Participant Gateway at a location other than the office premises of the Participant or the office premises of its Settlement Agent must, pursuant to Rule 704, obtain HKSCC's prior written consent to do so. Where consent is granted, installation will be subject to such conditions as prescribed by HKSCC from time to time.

In order for a Participant, a Settlement Agent or a Designated Bank to share CCASS Terminals and Participant Gateways with other Participants, Settlement Agents or Designated Banks, it must first apply to HKSCC in writing and comply with such application procedures as may from time to time be prescribed by HKSCC. Approval of an application to share CCASS Terminals or Participant Gateways is entirely at the discretion of HKSCC. HKSCC may impose such conditions on the sharing arrangement as it thinks fit, whether at the time of approval of the application or at any other time or times thereafter by giving written notice to the Participant, the Settlement Agent or the Designated Bank, as the case may be. HKSCC shall be entitled to revoke any approval granted to a Participant, a Settlement Agent or a Designated Bank concerning its sharing arrangement and discontinue such arrangement at any time by notifying the Participant, the Settlement Agent or the Designated Bank, as the case may be, in writing. HKSCC reserves the right to limit a Settlement Agent's access to the services of CCASS in the event that the Settlement Agent and the Participant who appoints it are operating or accessing the CCASS Terminal or the Participant Gateway simultaneously.

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### **3.2.3 Repealed**

### **3.2.4 Re-commissioning**

The re-commissioning of a CCASS Terminal or a Participant Gateway is subject to HKSCC's approval and if approval is given, will be allowed or undertaken at the expense of the Participant or Designated Bank, as the case may be.

## **3.3 DELEGATED ADMINISTRATORS**

### **3.3.1 Establishing and Cancelling Delegated Administrators of CCASS Terminals**

Each Participant must appoint its own administrators ("Delegated Administrators") to establish or cancel, via CCASS Terminal, the access of its Authorised Users to CCASS.

To appoint and cancel the appointment of a Delegated Administrator, a Participant must apply in the prescribed manner to HKSCC.

Upon approval of an application of a Participant to appoint a Delegated Administrator, HKSCC will provide to the Participant concerned a unique User ID. The Participant must ensure that its Delegated Administrator creates his user password in accordance with the CCASS Terminal User Guide immediately upon receipt of the User ID.

### **3.3.2 Establishing and Cancelling RMS Delegated Administrators**

Each Participant must appoint its own RMS Delegated Administrators to establish or cancel the access of its RMS Authorised Users. The right of an RMS Delegated Administrator to RMS shall be limited to the administration and management of the access rights of the Participant's RMS Authorised Users.

To appoint and cancel the appointment of an RMS Delegated Administrator, a Participant must apply in the prescribed manner to HKSCC.

## **3.4 AUTHORISED USERS**

### **3.4.1 Establishing and cancelling Authorised Users of CCASS Terminals**

Each Participant must ensure that only persons approved as its Authorised Users are allowed access to CCASS via CCASS Terminals.

Each Participant will need to establish or cancel its Authorised Users through its Delegated Administrators via CCASS Terminals in accordance with the CCASS Terminal User Guide. Upon a User ID being created by a Delegated Administrator for an Authorised User, the Authorised User must immediately create his user password in accordance with the CCASS Terminal User Guide.

### **3.4.2 Establishing and cancelling RMS Authorised Users**

Each Participant must ensure that only persons approved as its RMS Authorised Users are allowed access to RMS to use the functions and services provided under RMS.

Each Participant will need to establish or cancel the access of its RMS Authorised Users

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through its RMS Delegated Administrators in accordance with the RMS Guide.

Each Participant shall ensure that its RMS Authorised Users act in good faith, exercise reasonable care and diligence in keeping their user passwords confidential at all times. Under no circumstances shall RMS Authorised Users disclose or assign to any other person, or allow any other person to use their user passwords.

### **3.4A SSA STATEMENT RECIPIENTS**

#### **3.4A.1 Maintaining SSA Statement Recipients**

Upon the opening of a SSA with Statement Service in CCASS by a Clearing Participant or a Custodian Participant, the Participant must, in respect of that SSA with Statement Service, name and maintain at all times a single SSA Statement Recipient which may comprise an individual, joint individuals, partnerships and/or bodies corporate through the account maintenance functions available via its CCASS Terminal or Participant Gateway. For the avoidance of doubt, the Participant can only name and/or maintain a single SSA Statement Recipient in respect of each SSA with Statement Service. By naming and/or maintaining such SSA Statement Recipient, the Participant authorizes HKSCC to do each of the following in respect of the SSA with Statement Service subject to the Rules and on such terms and conditions as HKSCC may from time to time specify until the SSA with Statement Service is closed in accordance with the Rules:

- (i) furnish the SSA Statement Recipient with advices, statements and reports relating to the SSA with Statement Service, as referred to in Section 16.8;
- (ii) allow the SSA Statement Recipient to access, via the CCASS Phone System and CCASS Internet System, the enquiry functions in relation to the SSA with Statement Service as referred to in Section 15 and the maintenance functions in relation to the SSA with Statement Service as specified by HKSCC from time to time;
- (iii) send or cause to send messages relating to the stock movements, STI Transfers and voting activities in respect of Eligible Securities in the SSA with Statement Service, and the change in the details of SSA Statement Recipient to the SSA Statement Recipient via the E-mail and/or SMS, as referred to in Section 16.8; and
- (iv) where the Clearing Participant or Custodian Participant has indicated to HKSCC, in such manner as HKSCC may from time to time prescribe, that the SSA Statement Recipient is authorised to give affirmation to STI and/or voting instructions to HKSCC in relation to the SSA with Statement Service for the account of the Participant, to accept and rely on the STI affirmations and/or voting instructions of the SSA Statement Recipient for the account of the Participant as if they were the affirmations or instructions of the Participant.

Provided that the Participant may effect any change of such SSA Statement Recipient named or maintained by it and/or effect any change of the details of such SSA Statement Recipient, both through the account maintenance functions available via CCASS Terminals or Participant Gateways.

If the Clearing Participant or Custodian Participant wishes to delete the SSA Statement Recipient named and/or maintained in respect of a SSA with Statement Service and not to name or maintain another SSA Statement Recipient in respect of that SSA with Statement Service, the Participant must do so by closing the SSA with Statement Service through the account maintenance functions available via CCASS Terminals or Participant Gateways.

Once a SSA with Statement Service is closed, the naming and maintenance of SSA Statement Recipient in respect of that SSA with Statement Service by a Clearing Participant or a Custodian Participant will be cancelled and the authorization given by the Participant to HKSCC in relation to the SSA with Statement Service and the related SSA Statement Recipient will be withdrawn without prejudice to the rights of HKSCC under the Rules. For the avoidance of doubt, HKSCC will not furnish statements relating to the closed SSA with Statement Service to the SSA Statement Recipient, allow the SSA Statement Recipient to access the closed SSA with Statement Service and send E-mail and SMS relating to the closed SSA with Statement Service to the SSA Statement Recipient.

In relation to each of the acts which HKSCC is authorized by a Clearing Participant or a Custodian Participant to do under Section 3.4A.1(i) – (iv) subject to the Rules, HKSCC may from time to time specify the applicable terms and conditions. The Clearing Participant or Custodian Participant shall furnish its SSA Statement Recipients and the person or persons comprising such SSA Statement Recipients with the applicable Rules and such terms and conditions. The Clearing Participant or Custodian Participant shall ensure and shall procure that its SSA Statement Recipients and any person or persons comprising such SSA Statement Recipients comply with the applicable Rules and such terms and conditions.

### **3.5 ACCESS CONTROL OF CCASS TERMINALS AND PARTICIPANT GATEWAYS**

#### **3.5.1 Logging on to CCASS**

Each User ID provided by HKSCC is unique to the Authorised User or Delegated Administrator to whom it is issued. The identity of an Authorised User or a Delegated Administrator logging on to CCASS will be determined by HKSCC by reference to the User ID used.

In order to log on to CCASS via a CCASS Terminal, an Authorised User or a Delegated Administrator must use his User ID and user password.

In the event that an Authorised User is unsuccessful in logging on to CCASS via a CCASS Terminal, the Participant concerned will need to re-establish that person as an Authorised User through its Delegated Administrator via a CCASS Terminal.

In the event that a Delegated Administrator of a Participant is unsuccessful in logging on to CCASS via a CCASS Terminal, the Participant concerned will need to re-establish that person as a Delegated Administrator by applying in the prescribed manner to HKSCC.

In order to log on to CCASS via a Participant Gateway, an Authorised User of a Participant must:

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- (i) insert the Participant Gateway smartcard of that Participant into the smartcard reader of the Participant Gateway; and
  - (ii) enter the Participant Gateway Smartcard Password of that Participant into the Participant Gateway.

Each Participant Gateway smartcard provided by HKSCC is unique to the Participant to whom it is issued. The identity of a Participant logging on to CCASS via a Participant Gateway will be determined by HKSCC by reference to the Participant Gateway smartcard used.

Participants may apply to HKSCC for smartcard readers for their Participant Gateways in the manner as specified in the CCASS Terminal User Guide.

Participants may also apply to HKSCC for a Participant Gateway Smartcard Password reset by completing the prescribed request form and submitting the same to HKSCC.

### **3.5.2 Administration Rights of a Delegated Administrator**

The security management functions to which a Delegated Administrator can access are determined by the Administration Rights specified by a Participant.

A Delegated Administrator will be denied access to security management functions which is not included in the Administration Rights.

At the time of establishing a Delegated Administrator, a Participant will need to determine the Administration Rights for that Delegated Administrator. A Participant may alter the Administration Rights of its Delegated Administrator at any time by applying in the prescribed manner to HKSCC.

### **3.5.3 Access Level of an Authorised User**

The extent to which a particular Authorised User of a Participant can access CCASS functions or services via a CCASS Terminal is determined by the Access Level specified by the Participant for that Authorised User.

An Authorised User of a Participant accessing CCASS via a CCASS Terminal will be denied access to CCASS functions or services for which he is not authorised.

At the time of establishing an Authorised User, a Participant will need to determine the relevant Access Level for that Authorised User. There will be pre-determined Access Levels for a Participant to select for each of its Authorised Users.

A Participant may alter the Access Level of its Authorised Users at any time through its Delegated Administrator via a CCASS Terminal.

### **3.5.4 Input Transaction Limit of an Authorised User**

The extent to which a particular Authorised User of a Participant can input via a CCASS

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Terminal certain instructions (other than Tender Instructions) into CCASS will be determined by the Input Transaction Limit (if any) specified by the Participant for that Authorised User.

Instructions which can be made subject to Input Transaction Limits are :

- (i) Account Transfer Instructions or ATIs;
- (ii) Settlement Instructions or SIs;
- (iii) Delivery Instructions or DIs;
- (iv) instructions relating to "Change DI Requirement" function (see Section 13.2.3);
- (v) Investor Settlement Instructions or ISIs;
- (vi) Input Recall Request;
- (vii) Change Cash Compensation Indicator; and
- (viii) Cash Prepayment Instructions.

Save in the case of SIs, ISIs and Cash Prepayment Instructions, instructions input into CCASS by an Authorised User of a Participant via a CCASS Terminal which exceed his Input Transaction Limit will not be entertained by HKSCC. If an SI, ISI or Cash Prepayment Instruction input into CCASS by an Authorised User of a Participant via a CCASS Terminal exceeds his Input Transaction Limit, the respective instruction will remain pending the authorisation of another Authorised User of the Participant with the necessary Input Transaction Limit. In general, the value of the Eligible Securities which are subject to instructions input into CCASS via a CCASS Terminal by an Authorised User will be compared with any Input Transaction Limit applicable to him. For further details, please see the CCASS Terminal User Guide.

A Participant may alter the Input Transaction Limits of its Authorised Users at any time through its Delegated Administrator via a CCASS Terminal.

### **3.5.5 Participants responsible for security**

It is the responsibility of each Participant to control and ensure the security of the access to its CCASS Terminals, Participant Gateways and to its Participant Gateway smartcards to ensure the security and confidentiality of the User IDs and user passwords of its Authorised Users and Delegated Administrators and its Participant Gateway Smartcard Password, to ensure that its Authorised Users abide by the Access Levels and Input Transaction Limits assigned to each of them, to ensure the security and confidentiality of the Authorisation Code of its Delegated Administrators, and to ensure that its Delegated Administrators abide by the Administrator Rights assigned to them.

A Participant shall immediately notify HKSCC to disable the user profile associated with a

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Participant Gateway smartcard by submitting the prescribed form to HKSCC if it becomes aware that the smartcard is lost or has been stolen.

Participants shall be liable for all instructions input into CCASS via their CCASS Terminals or Participant Gateways. Participants requiring a new Participant Gateway smartcard or a replacement Participant Gateway smartcard must complete the prescribed Smartcard Request Form and submit the same to HKSCC. Participants are required to pay the relevant fees relating to Participant Gateways and CCASS Terminals.

### **3.5A ACCESS CONTROL OF RMS**

It is the responsibility of each Participant to control its access to RMS, to ensure the security and confidentiality of the user passwords of its RMS Authorised Users and RMS Delegated Administrators, to ensure that its RMS Authorised Users abide by any access levels assigned to each of them and to ensure that its RMS Delegated Administrators abide by the administration rights assigned to them. Participants shall be liable for all actions performed on RMS via the user passwords of its RMS Authorised Users and RMS Delegated Administrators. Please refer to the RMS Guide for details of RMS Delegated Administrators' administration rights and RMS Authorised Users' access rights.

### **3.6 OPERATIONS UNDERTAKEN THROUGH CCASS TERMINALS, PARTICIPANT GATEWAYS AND RMS**

The operations that may be undertaken using CCASS Terminals and RMS and the procedural steps for executing those operations are set out in the CCASS Terminal User Guide and the RMS Guide.

The CCASS Terminal User Guide and the RMS Guide will be updated from time to time to reflect any changes and alterations to the operations that may be undertaken using CCASS Terminals or RMS or to the procedural steps for executing those operations.

The operations that may be undertaken using Participant Gateways and the procedural steps for executing those operations are available at the discretion of HKSCC.

### **3.7 SERVICING OF CCASS TERMINALS, AND PARTICIPANT GATEWAYS AND RMS**

Participants requiring assistance relating to the use of CCASS Terminals, Participant Gateways and RMS may contact HKSCC for assistance. Please refer to the CCASS Terminal User Guide, the RMS Guide and the CCASS Terminal User Guide for Designated Banks for details.

### **3.8 BACK-UP CENTRE FOR ACCESS TO CCASS**

In the event that a Participant other than an Investor Participant or a Designated Bank is unable to access CCASS due to technical issues or other reasons, it will be eligible to use the Back-Up Centre subject to the Rules.

### **3.9 CCASS TERMINALS AND PARTICIPANT GATEWAYS OF DESIGNATED BANKS**



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Designated Banks of all Participants must be electronically linked to the CCASS host computer through a CCASS Terminal for the purpose of informing HKSCC of:

- (i) the payment status of DDIs, DCIs and EPIs affecting Participants other than Investor Participants for whom they act; and
- (ii) the payment status of DDIs and debit EPIs affecting Investor Participants for whom they act.

Designated Banks may also be electronically linked to the CCASS host computer through a Participant Gateway.

Sections 3.1 to 3.4 and Sections 3.5 to 3.8 (with the exception of references to the Input Transaction Limit, which do not apply to Authorised Users of Designated Banks) apply also to the CCASS Terminals and Participant Gateways of Designated Banks.

Designated Banks will use their CCASS Terminals for the purpose of giving or issuing to HKSCC (i) “payment confirmation” as defined in Section 14.4.3(ii); and (ii) “payment confirmation” as defined in Section 14.5.3(i).

Relevant control reports relating to the payments made, received or effected, or to be made, received or effected by Participants for whom a Designated Bank acts can also be retrieved from its CCASS Terminal and Participant Gateway. For further details, please refer to Section 14 and the CCASS Terminal User Guide for Designated Banks.

In addition, Designated Banks can retrieve Electronic CHATS Payment Instruction Reports generated by CCASS from their CCASS Terminals and Participant Gateways. Designated Banks can, based on such Electronic CHATS Payment Instruction Reports, effect CHATS payments on behalf of Participants in respect of money settlement obligations of such Participants in CCASS. For further details, please refer to Section 14 and the CCASS Terminal User Guide for Designated Banks.

Designated Banks can also use their CCASS Terminals and Participant Gateways to access the “Enquire Broadcast Message” function and retrieve reports and statements. For further details, please refer to Sections 15 and 16 and the CCASS Terminal Guide for Designated Banks.

### **3.10 CCASS PHONE SYSTEM AND CCASS INTERNET SYSTEM**

#### **3.10.1 CCASS Phone System and CCASS Internet System available for Investor Participants and SSA Statement Recipients**

Once a stock account is opened, an Investor Participant can operate its Stock Account, give instructions on corporate activities, give Tender Instructions, input ISIs, affirm ISIs, enquire stock balance and input activities via the CCASS Phone System by using a touch-tone phone or at the Customer Service Centre. In addition, an Investor Participant using services available via the CCASS Internet System can give on-line instructions on corporate activities, give Tender Instructions, input ISIs, affirm ISIs, enquire stock balance and input activities, receive notices and statements. Transfer Instructions must be submitted by the Investor Participant to the Customer Service Centre using the Transfer Instruction Form.

Once a SSA with Statement Service is opened by a Clearing Participant or a Custodian Participant and SSA Statement Recipient in respect of the SSA with Statement Service is named and/or maintained by that Participant, the SSA Statement Recipient can enquire stock balance and stock movement activities in respect of the SSA with Statement Service

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via the CCASS Phone System by using a touch-tone phone. In addition, such SSA Statement Recipient using services available via the CCASS Internet System can enquire stock balance and stock movement activities in respect of the SSA with Statement Service, and receive advices, statements and reports relating to that SSA with Statement Service.

Where the Clearing Participant or Custodian Participant naming and/or maintaining a SSA Statement Recipient has indicated to HKSCC through the account maintenance function that the SSA Statement Recipient is authorised by the Participant to affirm STI in respect of the SSA with Statement Service and/or to give instruction in relation to actions affecting Eligible Securities in the SSA with Statement Service that are to be voted upon for the account of the Participant, the SSA Statement Recipient may affirm STI and/or give voting instructions in respect of the SSA with Statement Service for the account of the Participant via the CCASS Phone System by using a touch-tone phone and via the CCASS Internet System.

### **3.10.2 CCASS Phone User ID and CCASS Phone Password for accessing CCASS Phone System; e-Certificates and Internet User ID and Internet User Password for accessing CCASS Internet System**

Upon approval of an application to become an Investor Participant, HKSCC will provide to the Individual Investor Participant or each individual member of the Joint Individual Investor Participant concerned for access to CCASS via the CCASS Phone System:

- (i) a unique CCASS Phone User ID; and
- (ii) an initial CCASS Phone Password.

For a Corporate Investor Participant, the Participant must ensure that only persons approved as its Authorised Users are allowed to operate its Stock Account in CCASS. HKSCC will provide to each of the Authorised Users of a Corporate Investor Participant a unique CCASS Phone User ID and an initial CCASS Phone Password. A Corporate Investor Participant may appoint a maximum of six Authorised Users. To establish or cancel an Authorised User, a Corporate Investor Participant must apply in prescribed manner to HKSCC. Individual and Joint Individual Investor Participant are not allowed to appoint other persons to access CCASS on their behalf.

The CCASS Phone User ID and CCASS Phone Password are personal to an Individual Investor Participant or an individual member of a Joint Individual Investor Participant or an Authorized User of a Corporate Investor Participant for access control purposes.

An Individual Investor Participant, an individual member of a Joint Individual Investor Participant or an Authorised User of a Corporate Investor Participant who has been provided with a unique CCASS Phone User ID and an initial CCASS Phone Password by HKSCC shall, if he wishes to access CCASS via the CCASS Internet System, (i) register a unique set of Internet User ID and Internet User Password with HKSCC; and/or (ii) apply to Hongkong Post for a digital certificate (the "Hongkong Post e-Cert") and then register his Hongkong Post e-Cert with HKSCC. Such individual or Authorised User shall use his CCASS Phone User ID and, if required, CCASS Phone Password to register such Hong Kong Post e-Cert and Internet User ID and Internet User Password.

An Investor Participant agrees that the Internet User ID and Internet User Password are personal to the relevant Individual Investor Participant, individual member of a Joint Individual Investor Participant or Authorised User of a Corporate Investor Participant (as the case may be) for access control purposes.

Upon the opening of a SSA with Statement Service by a Clearing Participant or a Custodian Participant and the naming and/or maintenance of SSA Statement Recipient in respect of the SSA with Statement Service by that Participant, HKSCC will provide a unique CCASS Phone User ID of the SSA with Statement Service to the SSA Statement Recipient via the Participant and the Participant shall provide an initial CCASS Phone Password to the SSA Statement Recipient for access to the SSA with Statement Service in CCASS via the CCASS Phone System.

The CCASS Phone User ID and the CCASS Phone Password are personal to the SSA Statement Recipient of the Participant for access control purposes.

The SSA Statement Recipient that has been provided with a unique CCASS Phone User ID of the SSA with Statement Service by HKSCC via the Clearing Participant or Custodian Participant and an initial CCASS Phone Password by the Participant shall, if the SSA Statement Recipient wishes to access the SSA with Statement Service in CCASS via the CCASS Internet System, register a unique set of Internet User ID and Internet User Password with HKSCC.

The Clearing Participant or Custodian Participant that has named and/or maintained SSA Statement Recipient in respect of its SSA with Statement Service in CCASS agrees that the Internet User ID and Internet User Password are personal to the SSA Statement Recipient for access control purposes.

### **3.10.3 Input Transaction Limit of an Authorized User of a Corporate Investor Participant**

The extent to which a particular Authorised User of a Corporate Investor Participant can input or affirm an ISI in CCASS will be determined by the Input Transaction Limit specified by the Corporate Investor Participant for that Authorised User. ISI input or affirmed in CCASS by an Authorised User of a Corporate Investor Participant which exceeded his Input Transaction Limit will remain pending for authorisation by another Authorized User of the Corporate Investor Participant with the necessary Input Transaction Limit. In general the value of the Eligible Securities which are subject to instructions input into CCASS by an Authorised User will be compared with the Input Transaction Limit applicable to him. A Corporate Investor Participant may alter the Input Transaction Limit of its Authorised Users at any time by applying in the prescribed manner to HKSCC.

#### **3.10.3A Access to SSA with Statement Service by SSA Statement Recipient**

The Clearing Participant or Custodian Participant must ensure that only the SSA Statement Recipient named and/or maintained by the Participant in respect of its SSA with Statement Service is allowed access to the SSA with Statement Service in CCASS via the CCASS Phone System and CCASS Internet System. The Participant is also responsible to ensure that the SSA Statement Recipient and each person comprising such SSA Statement Recipient complies with the terms and conditions prescribed by HKSCC from time to time in relation to such access, including but not limited to the terms of use of the CCASS Internet System, the E-mail and the SMS.

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#### **3.10.4 Participants responsible for security**

It is the responsibility of each Individual Participant and each individual member of a Joint Individual Investor Participant to ensure the security and confidentiality of its CCASS Phone User ID, CCASS Phone Password, Internet User ID and Internet User Password and password of his Hongkong Post e-Cert. Each such user must ensure that the initial CCASS Phone Password be changed immediately upon receipt.

It is the responsibility of each Corporate Investor Participant to ensure the security and confidentiality of the CCASS Phone User IDs, CCASS Phone Passwords, Internet User IDs and Internet User Passwords and passwords of the Hongkong Post e-Cert of its Authorized Users, and to ensure that its Authorized Users abide by the Input Transaction Limit assigned to them.

It is the responsibility of each Clearing Participant or Custodian Participant to ensure the security and confidentiality of the CCASS Phone User IDs of the SSA with Statement Service, CCASS Phone Passwords, Internet User IDs and Internet User Passwords provided to or registered by its SSA Statement Recipients, and to ensure that its SSA Statement Recipients and the persons comprising such SSA Statement Recipients abide by the related terms and conditions of use.

As the relevant CCASS Phone Password is unknown to HKSCC, if an Individual Investor Participant or Joint Individual Investor Participant or an Authorized User of a Corporate Investor Participant forgets his CCASS Phone Password or fails to log on to the CCASS Phone System after three attempts, the Investor Participant will need to apply in the prescribed manner to HKSCC to establish a new CCASS Phone Password. If the SSA Statement Recipient forgets the CCASS Phone Password provided to it by the Clearing Participant or Custodian Participant or fails to log on to the CCASS Phone System after three attempts, the Clearing Participant or Custodian Participant concerned will need to establish a new CCASS Phone Password for such SSA Statement Recipient.

Similarly, if an Individual Investor Participant or an individual member of a Joint Individual Investor Participant or an Authorised User of a Corporate Investor Participant forgets his Internet User Password or fails to log on to the CCASS Internet System after three attempts, he will need to apply in the prescribed manner to HKSCC to establish a new Internet User Password. If the SSA Statement Recipient forgets the Internet User Password registered by it or fails to log on to the CCASS Internet System after three attempts, the SSA Statement Recipient will need to establish a new Internet User Password in the prescribed manner specified by HKSCC.

An Investor Participant shall immediately revoke its Hongkong Post e-Cert by using the on-line revoke function of the CCASS Internet System or by submitting the prescribed form to the Customer Service Centre if it becomes aware that its Hongkong Post e-Cert is lost or has been stolen or otherwise compromised. If the revoke obligations set out above are not complied with properly or at all, then HKSCC accepts no liability for any consequences, especially not for any loss or damage that may result to the Investor Participant or any other person.

If an Investor Participant wishes to resume usage of its Hongkong Post e-Cert which was lost and subsequently found, the Investor Participant must apply to HKSCC by using HKSCC's prescribed form.

Investor Participants shall be liable for all instructions input into CCASS. Clearing Participants and Custodian Participants shall be liable for all acts and omissions of their SSA Statement Recipients and of the persons comprising such SSA Statement Recipients.

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## **Section 4**

### **Back-Up Centre/Customer Service Centre**

#### **4.1 INTRODUCTION**

##### **4.1.1 Scope of services**

The Back-Up Centre, operated by HKSCC, provides back-up facilities to Participants other than Investor Participants and Designated Banks.

All facilities with respect to Compulsory Stock Borrowing Transactions shall be made available only through the Lender's CCASS Terminal or by such other means as HKSCC may prescribe from time to time.

##### **4.1.2 Repealed**

##### **4.1.3 Service hours of Back-Up Centre**

The service hours of the Back-Up Centre is from 9:00 a.m. to 6:00 p.m., Monday to Friday (except public holidays) (or such time as HKSCC may determine from time to time).

##### **4.1.4 Persons eligible for facilities**

In the event that a Participant other than an Investor Participant or a Designated Bank is unable to access CCASS due to technical issues or other reasons, it will be eligible to use the Back-Up Centre subject to the Rules.

Designated Banks of Participants can, in the event that their CCASS Terminals break down, make use of the Back-Up Centre to confirm to HKSCC in respect of payments to be made by Participants.

Participants other than Investor Participants and Designated Banks should submit a request to HKSCC in such form as HKSCC may prescribe from time to time for the use of the Back-up Centre . For the service hours and other details of the Back-Up Centre, please refer to relevant user guides available on the HKEX website .

Access to the Back-Up Centre is subject to availability and HKSCC reserves the right not to entertain requests for the use of the Back-up Centre.

##### **4.1.5 Scope of Back-Up Centre**

All CCASS maintenance functions, enquiry functions and report printing via CCASS Terminals, as well as risk monitoring and risk management functions via RMS, will be provided in the Back-Up Centre.

## **4.2 CUSTOMER SERVICE CENTRE**

### **4.2.1 Scope of service of Customer Service Centre**

The Customer Service Centre, operated by HKSCC, provides the following services and facilities to Investor Participants :

- (i) instruction input;
- (ii) statement printing; and
- (iii) general enquiries.

### **4.2.2 Service hours of Customer Service Centre**

The service hours of the Customer Service Centre are between 9:00 a.m. and 6:00 p.m., Monday to Friday (except public holidays) (or such time as HKSCC may determine from time to time).

### **4.2.3 Procedures**

To use the instruction input services of the Customer Service Centre, appropriate request forms as set out in the Operating Guide for Investor Participants must be completed and signed by the Investor Participant or an Authorised Signatory of the Corporate Investor Participant (stamped with the company chop, if applicable) and submitted to HKSCC at the counter of the Customer Service Centre for processing by HKSCC.

HKSCC's staff at the Customer Service Centre will cause a machine validation to be imprinted on the request forms so submitted and a copy of the forms (except those forms as specified by HKSCC from time to time) will be returned to the Investor Participant.

HKSCC reserves the right not to accept request forms submitted by Investor Participants.

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## **Section 5**

### **Eligible Securities**

#### **5.1 SECURITIES ACCEPTED AS ELIGIBLE SECURITIES**

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

- (i) ordinary shares;
- (ii) preference shares;
- (iii) Depositary Receipts;
- (iv) registered warrants;
- (v) provisional allotment letters relating to nil paid rights;
- (vi) Debt Securities;
- (vii) Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments;
- (viii) Foreign Securities;
- (ix) China Connect Securities;
- (x) Units; and
- (xi) Structured Products.

However, in the case of Foreign Securities which are or will be deposited in HKSCC's account with The Depository Trust Company or its successors or assigns, only Eligible U.S. Securities are admissible as Eligible Securities in CCASS as HKSCC is only allowed to deposit Eligible U.S. Securities in its account with The Depository Trust Company or its successor or assignee.

#### **5.2 CURRENCY OF DENOMINATION AND SETTLEMENT**

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

#### **5.3 STOCK CODE NUMBER AND DESCRIPTION**

Each Eligible Security will be allocated a stock code number by HKSCC. The stock code numbers of Eligible Securities should be quoted in all communications with HKSCC concerning those Eligible Securities.

To cater for the available record length of the CCASS computer system, HKSCC may also assign an abbreviated name to an Eligible Security.

In general, for Eligible Securities listed or admitted to trading on the Exchange, HKSCC will usually follow the stock codes and descriptions used by the Exchange. For China Connect Securities, HKSCC will usually follow a mapping algorithm and convert the stock codes used by the relevant China Connect Market Operator to a set of 5-digit stock codes for use in CCASS. Participants will be notified of the relevant stock code mapping via circular. A list of the China Connect Securities' stock codes together with their CCASS stock code mapping will be published by HKSCC on the HKEX website.

#### **5.4 RESTRICTIONS AFFECTING ELIGIBLE SECURITIES**

Certain Eligible Securities may be subject to restrictions or limitations as to ownership or control or other matters. These restrictions or limitations may be imposed by the issuers of

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Eligible Securities in their Articles of Association or Bye-laws or may be required under applicable law. For example, the terms of an issue of an Eligible Security may provide that a registered holder of such Eligible Securities may not hold more than a stated percentage of such Eligible Securities without the approval of the board of directors of the issuer.

To comply with such restrictions or limitations, HKSCC may from time to time enter into arrangements with issuers of Eligible Securities, agreeing to provide information relating to Eligible Securities to the issuers or agreeing to require Participants to provide information or comply with relevant requirements of the issuers.

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

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



## Section 6

### Operational and Service Schedule

#### 6.1 PROCESSING AND SERVICE

In general, CCASS offers processing and servicing facilities to Participants other than Investor Participants as follows:

- CCASS (other than RMS) between the hours of 7:15 a.m. and 9:30 p.m., Monday to Friday (except public holidays)
- RMS (other than RMS report retrieval) between the hours of 10:00 a.m. and 7:30 p.m., Monday to Friday (except public holidays)
- RMS report retrieval between the hours of 7:00 a.m. to 12:00 a.m., Monday to Friday (except public holidays)

and certain other services and functions specified by HKSCC, between the hours of 7:15 a.m. to 1:00 p.m. on Saturday (except public holiday).

In general, services and facilities provided to Investor Participants for use and access to SSA with Statement Service provided to SSA Statement Recipients via the CCASS Phone System and the CCASS Internet System are usually available on an approximately 24 hours basis.

Notwithstanding the above, HKSCC has the right to prescribe and change the general hours of service from time to time. Further, all or part of the operations of CCASS, and services and facilities of HKSCC may be expanded, modified, reduced or suspended by HKSCC from time to time without notice.

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

The daily processing and service schedule in CCASS below only sets out the major events. For details on the daily processing and service schedule availability in CCASS (including RMS), please refer to the CCASS Terminal User Guide for Participants and the RMS Guide.

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

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

<b>Time</b>	<b>CCASS (including RMS) events</b>
7:00 a.m.	<ul style="list-style-type: none"> <li>Revaluation of General Collateral Inventory</li> <li>Commencement of RMS for retrieval of reports and data files</li> </ul>

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- 7:15 a.m. Commencement of the following services and functions through CCASS Terminal and Participant Gateway where applicable:
- (i) clearing services (SI and ATI/STI upload functions); and
  - (ii) clearing and settlement services enquiry functions, Enquire Broadcast Message function and report retrieval functions.
- All previous day's reports are available for retrieval
- 8:00 a.m. Commencement of the following services and functions through CCASS Terminal and Participant Gateway where applicable:
- (i) clearing services (SI/ISI maintenance and ISI upload functions);
  - (ii) ATI/STI and Mass ATI/STI maintenance functions;
  - (iii) SSA maintenance and upload functions;
  - (iv) Cash Prepayment Instruction, Cash Prepayment / TSF Payment Standing Instruction, Intra-day Payment Standing Instruction and Nominee Payment (Evening) Standing Instruction maintenance functions;
  - (v) subscription, election, voting instructions, Tender Instructions (except where such day is the tender or application start date) and Corporate Representative / Proxy instructions maintenance functions; and
  - (vi) CA ISO Message Service maintenance functions.
- 9:00 a.m. Commencement of the following services and functions through CCASS Terminal and Participant Gateway where applicable:
- (i) [Repealed]
  - (ii) Tender Instructions (if such day is the tender or application start date) maintenance function; and
  - (iii) Collateral Security maintenance and upload functions.
- First batch of scrip entitlement distribution
- Commencement of book-entry deposit / withdrawal orders maintenance functions
- 9:15 a.m. Commencement of Unit Creation / Redemption Orders maintenance functions
- First SI matching
- First STI Batch-run

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9:30 a.m.	<p>Commencement of the following services and functions, through CCASS Terminal and Participant Gateway where applicable:</p> <ul style="list-style-type: none"> <li>(i) settlement services (DI input, input of recall and return request, if appropriate);</li> <li>(ii) Stock Release Request maintenance functions for TSF CCASS Participants;</li> <li>(iii) depository services (deposits and withdrawals of Eligible Securities by Participants);</li> <li>(iv) submission of Transfer Instructions; and</li> <li>(v) CCMS services.</li> </ul>
9:45 a.m.	Second batch of scrip entitlement distribution
10:00 a.m.	<p>Second SI matching</p> <p>Second STI Batch-run</p> <p>First Collateral Security Batch-run</p> <p>Commencement of online services through RMS</p>
10:15 a.m.	First TSF Share De-earmarking Process
10:30 a.m.	First Batch-settlement-run
11:00 a.m.	<p>Revaluation of General Collateral Inventory and collateralization of intra-day Marks, and (if HKSCC collects intra-day Margin on such date which is a Trading day with no Afternoon Session) intra-day Margin</p> <p>Deadline for inputting subscription instructions which involve the collection of subscription monies by CPIs: or where the deadline for subscription imposed by the relevant Issuer falls on such day</p>
11:30 a.m.	<p>Third SI matching</p> <p>Third batch of scrip entitlement distribution</p>
11:45 a.m.	Second TSF Share De-earmarking Process
12:00 noon	<p>Deadline for inputting election instructions where the deadline for election imposed by the relevant Issuer falls on such day</p> <p>Deadline for submitting Transfer Instructions to be effected on the same day on a delivery versus payment basis in CMU to HKSCC</p> <p>Second Batch-settlement-run</p>
12:45 p.m.	Third STI Batch-run

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	Second Collateral Security Batch-run
1:00 p.m. (after)	First batch of Corporate Announcement Master Data File and Corporate Announcement Maintenance Activities Report available
1:15 p.m.	Deadline for inputting Intra-day Payment Standing Instructions in order to have such instructions effected on the same day
1:30 p.m.	Fourth SI matching  Fourth batch of scrip entitlement distribution
1:45 p.m.	Third TSF Share De-earmarking Process
2:00 p.m.	Third Batch-settlement-run  Deadline for submitting Transfer Instructions to be effected on the same day on a free of payment basis in CMU to HKSCC  Deadline for inputting Cash Prepayment Instructions with “CHATS” selected as the payment method  Deadline for submitting Tender Instructions to HKSCC in respect of an issue of Government Bonds or CMU Instruments whose application lists close on such day  Collateralization of intra-day Margin (if HKSCC collects intra-day Margin on such date which is a normal Trading day)
2:00 p.m. (after)	Final Clearing Statement or FCS in respect of Exchange Trades effected on or reported to the Exchange and Clearing Agency Transactions concluded on previous day, available to Clearing Participants and Clearing Agency Participants
2:30 p.m.	Fifth SI matching  Deadline for inputting Cash Prepayment Instructions with “OTHERS” selected as the payment method
2:30 p.m. (around)	Generation of Intra-day Payment Instructions by HKSCC
3:00 p.m.	Close of book-entry deposit / withdrawal orders maintenance functions
3:15 p.m.	Sixth SI matching  Fifth batch of scrip entitlement distribution
3:30 p.m.	Fourth STI Batch-run  Fourth TSF Share De-earmarking Process

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	Deadline for inputting Nominee Payment (Evening) Standing Instruction in order to have the evening distribution of nominee payment to start on the same day, subject to acceptance of the Nominee Payment (Evening) Standing Instruction by HKSCC
3:30 p.m. (after)	Second batch of Corporate Announcement Master Data File and Corporate Announcement Maintenance Activities Report available
3:45 p.m.	Close of clearing, settlement and depository services (except for enquiry, report retrieval and collection of securities)  Close of subscription instruction maintenance functions  Close of CCMS stock transfer maintenance service  Deadline for the input of Tender Instructions to HKSCC in respect of the issue of Exchange Fund Notes or Specified Instruments, the deadline being two Business Days before the tender date (as specified in the tender notice)  Seventh SI matching  Final Batch-settlement-run
4:00 p.m.	Close of Stock Release Request maintenance functions for TSF CCASS Participants
4:00 p.m. (after)	Subscription instruction maintenance functions re-open (HKSCC will announce by broadcast message when subscription instruction maintenance functions re-open)  Second session of ATI input service commences (HKSCC will announce by broadcast message when the second session of ATI input service is available to Participants) and CCMS stock transfer maintenance services commence
4:05 p.m. (around)	Generation of DDIs, DCIs and EPIs by HKSCC for same day settlement
4:15 p.m.	Deadline for inputting voting instructions and Corporate Representative/Proxy instructions where the deadline prescribed by HKSCC for inputting such instructions falls on such day  Sixth batch of scrip entitlement distribution  First TSF Share Earmarking Process  Fifth TSF Share De-earmarking Process
4:25 p.m.	Close of Unit Creation/ Redemption Orders maintenance functions
5:00 p.m.	Eighth SI matching
5:00 p.m. (after)	Commencement of the second session of clearing services (SI/ISI maintenance and upload) (HKSCC will announce by broadcast

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	message when second session of clearing services is available to Participants)
	First batch of PCS in respect of Exchange Trades effected on or reported to the Exchange current day available to Clearing Participants and Clearing Agency Participants
	Fifth STI Batch-run (for STI Transfers to be effected on FOP basis only)
	Third Collateral Security Batch-run
5:15 p.m.	Seventh batch of scrip entitlement distribution
6:00 p.m.	Close of Collateral Security maintenance and upload functions
	Final SI matching
	Eighth batch of scrip entitlement distribution
	Fourth Collateral Security Batch-run
6:00 p.m. (after)	Settled Position Report and third batch of Corporate Announcement Master Data File and Corporate Announcement Maintenance Activities Report available
7:00 p.m.	Close of SI/ISI maintenance and ISI upload, Cash Prepayment / TSF Payment Standing Instruction maintenance, Intra-day Payment Standing Instruction maintenance, Nominee Payment (Evening) Standing Instruction maintenance, CCMS cash transfer and stock collateral maintenance services and Tender Instructions, subscription, election, voting, Corporate Representative/Proxy instructions maintenance functions and CA ISO Message Service maintenance functions
	Deadline for inputting subscription instructions where the deadline for subscription imposed by the relevant Issuer falls on the next Business Day at or before 12:00 noon
	Ninth batch of scrip entitlement distribution
7:15 p.m. (after)	Revaluation of General Collateral Inventory and collateralization of day-end Marks, and day-end Margin
7:30 p.m.	Close of ATI/STI maintenance and SI upload functions
	Online services through RMS close
7:45 p.m.	Close of Mass ATI/STI maintenance function
8:00 p.m.	Final batch of scrip entitlement distribution
	Close of all enquiries, except for CCMS enquiry and Enquire Broadcast Message functions

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	Close of ATI/STI upload functions
8:00 p.m. (after)	Second batch of PCS in respect of Exchange Trades effected on or reported to the Exchange and Clearing Agency Transactions concluded on current day available to Clearing Participants and Clearing Agency Participants
	Final STI Batch-run (for STI Transfers to be effected on FOP basis only)
8:30 p.m.	Second TSF Share Earmarking Process
	CCMS enquiry functions close
8:30 p.m. (around)	Generation of DDIs, DCIs and EPIs by HKSCC for settlement on the next Business Day
9:30 p.m.	Report retrieval and Enquire Broadcast Message functions through CCASS Terminal and Participant Gateway close
12:00 a.m.	Report retrieval through RMS close

*Notes :*

- (i) Deposit and withdrawal services for Eligible Securities subject to book-close dates will be closed at 12:00 noon and 2:00 p.m. respectively on the last Business Day before the relevant book-close dates (where no book-close date is announced, HKSCC shall by broadcast message announce the cut-off time for deposit and withdrawal services with respect to the relevant Eligible Securities). Deposit and withdrawal services for eligible Debt Securities subject to CCASS Record Dates will be closed at 12:00 noon and 2:00 p.m. respectively on the relevant CCASS Record Date.
- (ii) Report retrieval functions through CCASS Terminal and Participant Gateway are available on Saturdays (except public holidays).
- (iii) The schedule set out above is indicative only.
- (iv) On each Settlement Day, the final Batch-settlement-run will include the following processes:-
  - final Batch-settlement-run - Part 1
  - CSB run
  - 1st Auto-return run - for recalled CSB loans
  - final Batch-settlement-run - Part 2
  - 2nd Auto-return run - for all other CSB loans
  - settlement of TSF Final FX Position by the Evening FX Settlement Time

The final Batch-settlement-run - Part 1 will determine all unsettled due/overdue CNS long positions. The CSB run will determine the aggregate of the total quantity of unsettled due/overdue CNS long positions and the total quantity of Eligible Securities in respect of which notices of recall have been served (rounded up to a multiple of board lot) for each Eligible Security and will automatically generate compulsory borrowing request(s) for each Eligible Security for matching with Eligible Securities

credited to Stock Lending Accounts in accordance with Section 10.7.

The borrowed securities will be credited to HKSCC's Stock Account and will be used in the following order:

- (a) to settle outstanding Compulsory Stock Borrowing Transactions in respect of which a notice of recall has been served by the Lenders via the 1st Auto-return run;
- (b) to settle the unsettled CNS long positions via the final Batch-settlement-run - Part 2; and
- (c) to settle outstanding Compulsory Stock Borrowing Transactions in respect of which no notice of recall has been served by the Lender, but in respect of which HKSCC has elected to exercise its right of termination under the Compulsory Stock Borrowing and Lending Regulations via the 2nd Auto-return run.

The settlement of TSF Final FX Position by the Evening FX Settlement Time will follow the procedures set forth in Section 12A.4.4.

- (v) Tender Instructions maintenance functions and enquiry and report retrieval functions are available on Saturdays from 8:00 a.m. to 1:00 p.m.
- (vi) First session of CCASS-To-CCMS stock transfer maintenance and CCMS-To-CCASS stock transfer maintenance closes at 3:45 p.m. and the second session commences at approximately 4:00 p.m. and closes at 7:00 p.m.
- (vii) Three batches of scrip entitlement distribution take place on Saturdays (except public holidays) at 9:45 a.m., 11:30 a.m. and 1:00 p.m. respectively.

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

<b>Time</b>	<b>CCASS (including RMS) events</b>
7:00 a.m.	Revaluation of General Collateral Inventory  Commencement of RMS for retrieval of reports and data files
7:15 a.m.	Commencement of the following services and functions through CCASS Terminal and Participant Gateway where applicable: <ul style="list-style-type: none"> <li>(i) clearing services (ATI/STI and SI maintenance and upload functions);</li> <li>(ii) acceptance of SI and STI transmitted to CCASS through Synapse; and</li> <li>(iii) clearing and settlement services enquiry functions, Enquire Broadcast Message function and report retrieval functions.</li> </ul> All previous day's reports are available for retrieval
7:30 a.m. (around)	First batch of scrip entitlement distribution for both SSE Market and



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	SZSE Market
8:00 a.m.	<p>Commencement of the following services and functions through CCASS Terminal and Participant Gateway where applicable:</p> <ul style="list-style-type: none"> <li>(i) Mass ATI/STI maintenance function;</li> <li>(ii) Intra-day Payment Standing Instruction (only applicable to nominee payment), Cash Prepayment Standing Instruction and Nominee Payment (Evening) Standing Instruction maintenance functions; and</li> <li>(iii) subscription (except for the acceptance of Take-over Offer of listed securities), election, voting instructions, Shareholding Category Disclosure and Proxy instruction maintenance functions.</li> </ul> <p>Generation of CPIs by HKSCC (in respect of money obligations arising from CNS stock positions settled on previous Mainland Business Day) for same day settlement</p> <p>First STI Batch-run</p>
8:15 a.m.	Snapshot taking of total sellable balance of China Connect Securities of China Connect Clearing Participants and their NCCCPs for pre-trade checking in the trading sessions for trading China Connect Securities between the time of such snapshot and the time of the next snapshot
9:15 a.m.	Second STI Batch-run (excluding Special Segregated Accounts)
10:00 a.m.	Third STI Batch-run (excluding Special Segregated Accounts)
11:45 a.m.	First SI matching
12:00 noon	Deadline for inputting election instructions, where the deadline prescribed by HKSCC for inputting such instructions falls on such day
12:45 p.m.	Fourth STI Batch-run (excluding Special Segregated Accounts)
1:00 p.m. (after)	First batch of Corporate Announcement Master Data File and Corporate Announcement Maintenance Activities Report available
1:15 p.m.	Deadline for inputting Intra-day Payment Standing Instructions (only applicable to nominee payment) in order to have such instructions effected on the same day
1:45 p.m.	Second SI matching
2:00 p.m.	<p>Deadline for submitting the following instructions in relation to the Collateral provided for the early release of Securities-on-hold, in order to have such instructions effected on the same Settlement Day:</p> <ul style="list-style-type: none"> <li>(i) standing instructions to request HKSCC not to redeliver the Collateral or instructions to cancel such standing instructions; and</li> <li>(ii) withdrawal instructions to request HKSCC to redeliver all or any of the Collateral.</li> </ul>
2:30 p.m. (around)	Generation of Intra-day Payment Instructions (only applicable to nominee

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	payment) by HKSCC
3:00 p.m.	Third SI matching
	Close of Cash Prepayment Standing Instruction maintenance function
3:30 p.m.	Fifth STI Batch-run (excluding Special Segregated Accounts)
	Deadline for inputting Nominee Payment (Evening) Standing Instruction in order to have the evening distribution of nominee payment to start on the same day, subject to acceptance of the Nominee Payment (Evening) Standing Instruction by HKSCC
3:45 p.m. (around)	Second batch of Corporate Announcement Master Data File and Corporate Announcement Maintenance Activities Report available
4:00 p.m. (after)	Final Clearing Statement or FCS in respect of China Connect Securities Trades effected via a Trading Link available to China Connect Clearing Participants
	Commencement of Cash Prepayment Instruction Maintenance and DI input functions
	Application for the early release of Securities-on-hold available
4:05 p.m. (around)	Generation of EPIs by HKSCC for same day settlement
4:15 p.m.	Deadline for inputting voting instructions, Proxy instructions and Shareholding Category Disclosure where the deadline prescribed by HKSCC for inputting such instructions falls on such day
4:45 p.m.	Fourth SI matching
	First Batch-settlement-run
5:00 p.m.	Fifth SI matching
	Sixth STI Batch-run (for STI Transfers on FOP basis only and excluding STI Transfers from Special Segregated Accounts)
5:30 p.m.	Sixth SI matching
	Second Batch-settlement-run
	Seventh STI Batch-run (for STI Transfers on FOP basis only)
	Deadline for inputting DI for settlement of SI stock positions in Eligible Currencies other than RMB on RDP basis
	Deadline for inputting Cash Prepayment Instructions with “CHATS” selected as the payment method
	Deadline for submitting an application for the early release of Securities-on-hold and transferring same day available funds as Collateral for the early release to HKSCC’s specified bank account

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5:45 p.m. (around)	Reconciliation of China Connect Securities Trades with the relevant China Connect Clearing House
6:00 p.m.	Deadline for inputting Cash Prepayment Instructions with “OTHERS” selected as the payment method
6:00 p.m. (around)	Second batch of scrip entitlement distribution for SSE Market
6:15 p.m. (around)	Third batch of Corporate Announcement Master Data File and Corporate Announcement Maintenance Activities Report available
	Seventh SI matching
	Eighth STI Batch-run (for STI Transfers on FOP basis only)
	Third Batch-settlement-run
7:00 p.m.	Close of Intra-day Payment Standing Instruction maintenance (only applicable to nominee payment), election, voting, Shareholding Category Disclosure and Proxy instructions maintenance functions
	Close of ATI/STI maintenance and upload functions
	Third batch of scrip entitlement distribution for SSE Market
7:00 p.m. (around)	Eighth SI matching
	Fourth Batch-settlement-run
	Deadline for inputting DI for settlement of SI stock positions in RMB on RDP basis and CNS stock positions
	Commencement of SPSA Delivery Failure maintenance function and subscription instructions maintenance function (for all announcement types)
	Second session of ATI/STI maintenance/upload services commence
	Ninth STI Batch-run (for STI Transfers on FOP basis only)
7:00 p.m. (after)	Calculation of Mainland Settlement Deposit
7:30 p.m.	Close of SI upload function
	Tenth STI Batch-run (for STI Transfers on FOP basis only)
7:45 p.m.	Close of SI maintenance function, DI input function (for settlement of SI stock positions only), Mass ATI/STI maintenance function, SPSA Delivery Failure maintenance function and subscription instructions maintenance function
	Close of acceptance of SI transmitted to CCASS through Synapse
	Final SI matching

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	Final Batch-settlement-run (for settlement of SI stock positions on DVP and FOP basis only)
8:00 p.m.	Final STI Batch-run (for STI Transfers on FOP basis only)
	Close of all enquiries, except for CCMS enquiry, Enquire Sellable Balance Adjustment Request and Enquire Broadcast Message functions
	Close of ATI/STI maintenance and upload functions
	Close of acceptance of STI transmitted to CCASS through Synapse
8:00 p.m. (after)	Second batch of scrip entitlement distribution for SZSE Market
8:05 p.m. (around)	Generation of EPIs by HKSCC for same day Night Settlement
8:30 p.m.	Close of CCMS enquiry function
	Final batch of scrip entitlement distribution for SSE Market
	Third batch of scrip entitlement distribution for SZSE Market
8:30 p.m. (around)	Generation of DDIs, DCIs and EPIs by HKSCC for settlement on the next Business Day
9:00 p.m.	Close of Enquire Sellable Balance Adjustment Request function
	Final batch of scrip entitlement distribution for SZSE Market
9:30 p.m.	Report retrieval and Enquire Broadcast Message functions through CCASS Terminal and Participant Gateway close
9:30 p.m. (after)	Snapshot taking of total sellable balance of China Connect Securities of China Connect Clearing Participants and their NCCCPs for pre-trade checking
12:00 a.m.	Report retrieval through RMS close

*Notes:*

- (i) Report retrieval functions through CCASS Terminal and Participant Gateway are available on Saturdays (except public holidays).
- (ii) The schedule set out above is indicative only.
- (iii) Final Clearing Statement or FCS availability to China Connect Clearing Participants is subject to HKSCC's timely receipt of clearing information from the relevant China Connect Clearing House.
- (iv) The commencement of the fourth Batch-settlement-run is subject to HKSCC's timely receipt of settlement information from the relevant China Connect Clearing House.

### **6.3 DAILY SERVICE SCHEDULE FOR DESIGNATED BANKS**

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

<b>Time</b>	<b>CCASS events</b>
7:15 a.m.	Commencement of report retrieval and Enquire Broadcast Message functions
8:00 a.m.	Generation of CPIs by HKSCC for money settlement between Participants and HKSCC (including money obligations arising from CNS stock positions of China Connect Securities Trades settled on the previous Settlement Day with payment deadline at 12:00 noon) to be settled by a specific time on the same day
8:30 a.m.	Commencement of enquiry function  DDI/DCI/EPI Listing for Designated Bank (for DDIs/ DCIs/EPIs generated on the previous day for settlement on the current day) available  DDI/DCI/EPI Listing for IP Related Transactions available  Commencement of inputting payment confirmation for DDIs/DCIs/EPIs in the DDI/DCI/EPI Listing for Designated Bank generated on the previous day for settlement on the current day
9:00 a.m.	Commencement of batch upload for rejected DDI/debit EPI relating to Investor Participants functions
9:30 a.m.	Deadline for inputting payment confirmation for DDIs/DCIs/EPIs in the DDI/DCI/EPI Listing for Designated Bank generated on the previous day for settlement on the current day  Commencement of Enquire Payment Instruction function
9:30 a.m. (after)	DDI/DCI/EPI Rejection Listing (for payment confirmation of DDIs/DCIs/EPIs generated on the previous day for settlement on the current day) available  Electronic CHATS Payment Instruction Report available (containing CPIs generated at around 8:00 a.m. for money settlement between Participants and HKSCC by a specified time on the same day)
10:30 a.m. (after)	Electronic CHATS Payment Instruction Report available
11:00 a.m. (after)	Electronic CHATS Payment Instruction Report available

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11:30 a.m. (around)	CCASS Funding Projection Report for Designated Bank (for funding projection as of the completion of the First Batch-settlement-run for Eligible Securities other than China Connect Securities) available
12:00 noon	Commencement of inputting payment confirmation for DDIs/debit EPIs in the DDI/DCI/EPI Listing for IP Related Transactions  Deadline for paying HKSCC in good funds for CPIs contained in the Electronic CHATS Payment Instruction Report generated at 9:30 a.m. (after) in respect of money settlement of China Connect Securities Trades between HKSCC and Participants and issuing by facsimile or telephone to HKSCC a confirmation regarding each such CPI for which payment has not been or cannot be effected
12:00 noon. (after)	Electronic CHATS Payment Instruction Report available
12:30 p.m. (around)	CCASS Funding Projection Report for Designated Bank (for funding projection as of the completion of the Second Batch-settlement-run for Eligible Securities other than China Connect Securities) available
1:30 p.m.	Close of batch upload for rejected DDI/debit EPI relating to Investor Participants functions
1:30 p.m. (after)	Rejected DDI/EPI Batch Input Control Report available
2:00 p.m. (after)	Electronic CHATS Payment Instruction Report available
2:30 p.m.	Deadline for inputting payment confirmation for DDIs/debit EPIs in the DDI/DCI/EPI Listing for IP Related Transactions
2:30 p.m. (around)	CCASS Funding Projection Report for Designated Bank (for funding projection as of the completion of the Third Batch-settlement-run for Eligible Securities other than China Connect Securities) available
2:30 p.m. (after)	Investor Confirmation Report available
3:00 p.m. (after)	Intra-day Payment Instruction Listing available
3:30 p.m. (around)	CCASS Funding Projection Report for Designated Bank (for funding projection as of the completion of the Sixth SI matching for Eligible Securities other than China Connect Securities) available
4:05 p.m. (after)	DDI/DCI/EPI Listing for Designated Bank (for DDIs/DCIs/EPIs generated on the current day for settlement on the same day) available
4:20 p.m. (after)	DDI/DCI/EPI Exception Report available  Commencement of the first session for inputting payment confirmation for DDIs/DCIs/EPIs in the DDI/DCI/EPI Listing for Designated Bank generated on the current day for settlement on the same day, excluding those DDIs, DCIs and EPIs contained in the DDI/DCI/EPI Exception Report
4:45 p.m. (after)	Electronic CHATS Payment Instruction Report available

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5:00 p.m. (around)	CCASS Funding Projection Report (Night Settlement) for Designated Bank (for funding projection as of the completion of the first Batch-settlement-run for China Connect Securities) available
5:30 p.m. (after)	Electronic CHATS Payment Instruction Report available
5:45 p.m.	Deadline of the first session for inputting payment confirmation for DDIs/DCIs/EPIs in the DDI/DCI/EPI Listing for Designated Bank generated on the current day for settlement on the same day (see Note (i) below)
5:45 p.m. (around)	CCASS Funding Projection Report (Night Settlement) for Designated Bank (for funding projection as of the completion of the second Batch-settlement-run for China Connect Securities) available
5:45 p.m. (after)	DDI/DCI/EPI Rejection Listing (for payment confirmation inputted in the first session) available
6:00 p.m.	Deadline for paying HKSCC in good funds for CPIs contained in the Electronic CHATS Payment Instruction Report generated at 4:45 p.m. (after) in respect of money settlement of China Connect Securities Trades between HKSCC and Participants and issuing by facsimile or telephone to HKSCC a confirmation regarding each such CPI for which payment has not been or cannot be effected (see Note (ii) below)
6:00 p.m. (after)	Commencement of the second session for inputting payment confirmation for DDIs in the DDI/DCI/EPI Listing for Designated Bank generated on the current day for settlement on the same day, excluding those DDIs contained in the DDI/DCI/EPI Exception Report and those DDIs in relation to which payment confirmation has been inputted in the first session
6:15 p.m. (after)	Electronic CHATS Payment Instruction Report available
6:30 p.m. (around)	CCASS Funding Projection Report (Night Settlement) for Designated Bank (for funding projection as of the completion of the third Batch-settlement-run for China Connect Securities) available
7:00 p.m.	Close of all enquiry functions except for the Enquire DDI/DCI/EPI Rejection and Enquire Broadcast Message functions
7:00 p.m. (after)	Electronic CHATS Payment Instruction Report available
7:15 p.m. (around)	CCASS Funding Projection Report (Night Settlement) for Designated Bank (for funding projection as of the completion of the fourth Batch-settlement-run for China Connect Securities) available
8:00 p.m.	Deadline of the second session for inputting payment confirmation for DDIs in the DDI/DCI/EPI Listing for Designated Bank generated on the current day for settlement on the same day, excluding those DDIs contained in the DDI/DCI/EPI Exception Report and those DDIs in relation to which payment confirmation has been inputted in the first session

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8:00 p.m. (around)	CCASS Funding Projection Report (Night Settlement) for Designated Bank (for funding projection as of the completion of the final SI Batch-settlement-run for China Connect Securities) available
8:00 p.m. (after)	DDI/DCI/EPI Rejection Listing (for payment confirmation inputted in the second session) available
8:05 p.m. (after)	DDI/DCI/EPI Listing for Designated Bank (for EPIs generated on the current day for same day Night Settlement) available
8:20 p.m. (after)	DDI/DCI/EPI Exception Report available  Commencement of inputting payment confirmation for EPIs in the DDI/DCI/EPI Listing for Designated Bank generated on the current day for same day Night Settlement, excluding those EPIs contained in the DDI/DCI/EPI Exception Report
9:20 p.m.	Deadline for inputting payment confirmation for EPIs in the DDI/DCI/EPI Listing for Designated Bank generated on the current day for same day Night Settlement
9:20 p.m. (after)	DDI/DCI/EPI Rejection Listing (for EPI payment confirmation inputted in the session) available  Close of the Enquire DDI/DCI/EPI Rejection function
9:30 p.m.	Close of the report retrieval and Enquire Broadcast Message functions

*Notes:*

- (i) Where a Designated Bank should input a payment confirmation in the first session for any DDI contained in the DDI/DCI/EPI Listing for Designated Bank but fails to do so, notwithstanding this deadline, the Designated Bank may input a payment confirmation in the second session commencing at 6:00 p.m. (after).
- (ii) This is only applicable to an H-1 day.



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## **Section 7**

### **Depository and Related Services**

#### **7.1 CCASS DEPOSITORY SERVICES**

##### **7.1.1 Service Hours of CCASS Depository**

The CCASS Depository currently has one physical outlet to cater for the deposit and withdrawal of Eligible Securities by Participants.

The service hour of CCASS Depository is as follows (or such time as HKSCC may determine from time to time):

Monday to Friday (except public holidays)  
for the deposit of securities: from 9:30 a.m. to 3:45 p.m.  
for the collection of securities: from 9:30 a.m. to 5:00 p.m.

##### **7.1.2 Back-up premises**

If the usual premises of the CCASS Depository become unavailable or unsuitable for providing services to Participants, HKSCC will use its back-up premises to continue CCASS Depository Services.

##### **7.1.3 Notification by HKSCC**

HKSCC will notify Participants if there is any change to the location of the CCASS Depository, including when the back-up premises of the CCASS Depository are to be used.

#### **7.2 OPERATING PRINCIPLES**

##### **7.2.1 Eligibility for services**

Not all Participants are eligible to make deposits or withdrawals into or out of the CCASS Depository.

This service is not generally available to Stock Pledgee Participants. Stock Pledgee Participants are not entitled to deposit Eligible Securities into CCASS and only have limited rights of withdrawal of Eligible Securities out of CCASS.

A Stock Pledgee Participant may only withdraw Eligible Securities out of CCASS in the case of a default by its counterparty pledgor Participant. In such a case, a Stock Pledgee Participant wishing to withdraw relevant Eligible Securities must notify HKSCC in advance and must complete a "Stock Pledgee Declaration Form" for submission to HKSCC (see CCASS Terminal User Guide for Participants for the form).

##### **7.2.2 Participant's responsibility for defective Eligible Securities**

Participants depositing defective Eligible Securities into CCASS will be held responsible to HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC. Where New Issue Shares are deposited, the Participants to whom they are

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allocated will be deemed, unless the context will not admit, to have deposited them into CCASS.

In general, a Participant responsible for depositing defective Eligible Securities will have to replace them. In this connection, HKSCC may take one or more of the following actions where Eligible Securities deposited into CCASS by a Participant are found to be defective:

- (i) HKSCC may debit the Stock Accounts of the Participant concerned in respect of the relevant Eligible Securities found to be defective. This may create a negative balance in the Stock Accounts in which case the Participant will have to replenish its Stock Account immediately. HKSCC may telephone the Participant concerned to remind it to do so;
- (ii) pending replacement of the defective Eligible Securities, HKSCC will usually require the Participant concerned to immediately provide Collateral in such amount as HKSCC considers appropriate. In most cases, the amount of Collateral required will be the market value of the Eligible Securities in question, plus a margin of 30%. HKSCC reserves the right to debit the amount of required Collateral provided in the form of cash from the Designated Bank Account of the Participant;
- (iii) HKSCC may itself arrange for the purchase of the relevant Eligible Securities and the costs and expenses thereof will be charged to the Participant. In this case, HKSCC will notify the Participant;
- (iv) HKSCC may call on any assurance provided by the Participant in respect of its obligations to HKSCC; and
- (v) HKSCC may take any other action permitted by the Rules.

Participants will be asked by HKSCC to provide assurance in respect of their potential liabilities to HKSCC, the Exchange, and a recognized exchange controller which is the controller or HKSCC for defective Eligible Securities deposited into CCASS. The amount of assurance required of a Participant will normally be determined by HKSCC at the end of each calendar month.

In determining the extent of assurance to be provided by a Participant, HKSCC will normally have regard to its assessment of the financial condition of the Participant, the value of Eligible Securities deposited by the Participant (taking into account whether or not registration in the name of the Nominee has been effected). The level of deposits of Eligible Securities by Participants from time to time will also be monitored by HKSCC and where appropriate, HKSCC may require the provision of further assurances by Participants.

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### **7.2.3 Immediate Credit**

Subject to security control vetting measures and HKSCC's right to reject a deposit, Eligible Securities deposited by a Participant other than an Investor Participant will normally be immediately credited to that Participant's Stock Accounts. Eligible Securities deposited by an Investor Participant will not be credited to that Participant's Stock Account until re-registration in the name of the Nominee has been completed and new share certificates are received from the relevant share registrar. During the re-registration period, these Eligible Securities may not be withdrawn or transferred to the Stock Accounts of other Participants. However, nominee services from HKSCC will be provided in respect of these Eligible Securities to such extent as HKSCC considers appropriate.

In some cases, for risk management purposes, Eligible Securities deposited by a Participant may not be credited to its Stock Accounts until a later time, eg. upon registration of such securities in the name of the Nominee.

### **7.2.4 Registration in the name of Nominee**

Upon acceptance of Eligible Securities for deposit, such Eligible Securities will normally be submitted to the registrars of the issuers of Eligible Securities for re-registration in the name of the Nominee.

### **7.2.5 Deposits and Withdrawals of Certificates**

Subject as provided below or in the Rules, Participants may, at any time, deposit Eligible Securities in registered form into their Stock Accounts, other than their Stock Collateral Control Accounts, and where the Participants are TSF CCASS Participants, other than their TSF Accounts. An Investor Participant may only deposit Eligible Securities which are in registered form where such Eligible Securities are registered in the name of the Investor Participant concerned or in the name of the Nominee. Deposit of Eligible Securities registered in any other name(s) will not be accepted.

Any Debt Securities in bearer form which are Eligible Securities cannot be deposited into CCASS by Participants, and are only accepted by HKSCC direct from the issuer or the issuer's agent or representative for credit to Participants' Stock Accounts, other than Stock Collateral Control Accounts during the initial issue process. The bearer certificates of Debt Securities credited to Participants' Stock Accounts, other than Stock Collateral Control Accounts if withdrawn from CCASS by Participants, are not allowed to be re-deposited into CCASS at any time thereafter.

Participants may, at any time, withdraw Eligible Securities credited to their Stock Accounts, other than their Stock Collateral Control Accounts and where the Participants are TSF CCASS Participants, other than their TSF Accounts, from CCASS, subject to such conditions and restrictions as HKSCC may from time to time impose. Unless otherwise determined by HKSCC or provided in the Rules, Participants cannot physically deposit into or withdraw from CCASS or an Appointed Depository via HKSCC Eligible Securities which are: (a) uncertificated or issued in global form; or (b) Dual Counter Securities under the stock code of the secondary counter. Accordingly, physical deposit or withdrawal of China Connect Securities into or from CCASS or the relevant China Connect Clearing House is not

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available and Rules relating to the physical deposit and withdrawal of securities are not applicable to China Connect Securities.

For the avoidance of doubt, no Eligible Securities can be directly deposited into or withdrawn from any Stock Collateral Control Account and any TSF Account.

#### **7.2.6 Claim procedures for defective Eligible Securities**

HKSCC will only entertain claims by Participants in respect of any defects affecting Eligible Securities withdrawn from CCASS.

As soon as it becomes aware that Eligible Securities withdrawn by it may be defective, a Participant must notify HKSCC immediately. Claims must be submitted to HKSCC without delay and will have to be supported by relevant documentation as required by HKSCC (eg. copy of the Stock Withdrawal Receipt). HKSCC reserves the right not to entertain a claim for defective Eligible Securities withdrawn from CCASS by a Participant if the Participant fails to notify HKSCC and/or submit a claim to HKSCC promptly. Claims submitted by Participants for defects affecting Eligible Securities withdrawn from CCASS will be referred to the Risk Management Committee whose decision as to the validity and the extent of any such claims will be final and conclusive.

#### **7.2.7 Compensation for defective Eligible Securities, New Certificates and Old Certificates**

In respect of any defects affecting the Eligible Securities withdrawn after 1995 by a Participant, except as provided for in subsection 7.2.6, 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).

New Certificates represent Eligible Securities which have been submitted for registration, or re-issued, in the name of the Nominee since they were last deposited into CCASS (or Eligible Securities newly issued in the name of the Nominee).

In respect of defects affecting Eligible Securities represented by New Certificates withdrawn by a Participant from CCASS at any time prior to 1996, subject to production of satisfactory evidence to HKSCC that the relevant Eligible Securities are defective and that the relevant New Certificates were withdrawn from CCASS by the Participant, HKSCC will immediately 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).

Old Certificates represent Eligible Securities which have not been registered or re-issued in

the name of the Nominee since they were last deposited into CCASS (noting that Old Certificates may already have been in the name of the Nominee).

In respect of defects affecting Eligible Securities represented by Old Certificates withdrawn by a Participant from CCASS prior to 1996, replacement of defective Eligible Securities, or money compensation by HKSCC, will not be made until such time as HKSCC has recovered from the Participants responsible for depositing the defective securities (or until such time as HKSCC determines, on whatever ground, that recovery is not possible). Again, any replacement of Eligible Securities or money compensation by HKSCC will be subject to production of satisfactory evidence to HKSCC that the relevant Eligible Securities are defective and that the Old Certificates were withdrawn from CCASS by the Participant concerned.

#### **7.2.8 Fungibility**

All Eligible Securities of the same kind held in CCASS may be treated as fungible by HKSCC. Eligible Securities will not normally be marked or labelled by HKSCC to a particular Participant or to a particular transaction.

#### **7.2.9 Input error**

In the case of an erroneous entry to the Stock Accounts of a Participant, HKSCC may rectify the error by debiting or crediting the Stock Account concerned (or the Stock Clearing Account, if applicable).

Any negative balance so created in the Stock Accounts of the Participant will have to be replenished by the Participant. Pending replenishment, HKSCC may require the Participant to provide Collateral in such amount as HKSCC considers appropriate and if Collateral in the form of cash is provided, HKSCC may debit the Designated Bank Account of the Participant in respect of such amount. In the event that a Participant fails to replenish a negative balance in its Stock Account without undue delay, HKSCC may itself purchase relevant Eligible Securities and the costs and expenses thereof will be charged to the Participant. In such a case, HKSCC will notify the Participant accordingly.

#### **7.2.10 Authorised persons**

Participants must provide HKSCC with details of the persons authorised to collect certificates withdrawn from the CCASS Depository on their behalf.

Participants must submit to HKSCC duly completed Stock Collection Authorisation Form (see CCASS Terminal User Guide for Participants for the form) for this purpose.

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## **7.3 PROCEDURES FOR DEPOSIT**

### **7.3.1 Stock Deposit Forms**

A Participant must complete a Stock Deposit Form for each type of Eligible Security (other than New Issue Shares) that it intends to deposit. Original Stock Deposit forms, which can be obtained from the CCASS Depository in advance, must be used and must be signed by a person authorised by the depositing Participant and in this case, “signed” includes the authorized person affixing or making a stamped impression of his signature on the Stock Deposit Forms. HKSCC shall not be required to validate the signature of the person authorised by the depositing Participant.

### **7.3.2 Certificates and transfer documents**

Certificates for each Eligible Security must be grouped together and details of the certificate numbers must be completed on the Stock Deposit Form (in the sequence in which they are grouped). A Participant should check that all deposits are accompanied by all 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.

Eligible Securities deposited by a Corporate Investor Participant must also be accompanied by a certified copy of its board resolution or any other documents as may be required by HKSCC authorizing the re-registration of the Eligible Securities in the name of the Nominee.

### **7.3.3 Submission of Stock Deposit Forms**

A Participant must submit the completed Stock Deposit Forms, together with the relevant certificates and accompanying documents, to the relevant counters at the CCASS Depository.

Upon acceptance, a Participant will be given a copy of the relevant Stock Deposit Forms with details of the certificates deposited printed thereon.

## **7.4 PROCEDURES FOR WITHDRAWAL**

### **7.4.1 Bulk Withdrawal**

If a bulk withdrawal (i.e., withdrawal of 5000 or more share certificates at any one time under a withdrawal order) is to be made, a Participant is required to input a withdrawal order or give instructions for such bulk withdrawal at least one clear Business Day in advance of the collection day of the certificates.

### **7.4.2 Input or submission of withdrawal orders**

A Participant other than an Investor Participant that wishes to withdraw Eligible Securities from the CCASS Depository should input a withdrawal order for each type of Eligible Security via its CCASS Terminal, unless specifically advised otherwise by HKSCC.

An Investor Participant that wishes to withdraw Eligible Securities from its Stock Account

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shall submit to HKSCC a completed and duly signed Withdrawal Order Input Request Form as set out in the Operating Guide for Investor Participants (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.

#### **7.4.3 Details of withdrawal orders**

The data input/selection fields of a withdrawal order are:

- (i) Stock Account;
- (ii) Stock Code;
- (iii) Number of Shares;
- (iv) Lot Type;
- (v) Settlement/Custody (withdrawal for purpose related to settlement of Exchange Trades or withdrawal from custody) the field is only available for selection when the withdrawal is made for securities issued in registered form;
- (vi) Transfer Deed (number of transfer deeds required) the field is only available for input when the withdrawal is made for securities issued in registered form;
- (vii) Remarks; and
- (viii) Denomination (number of shares covered by one transfer deed) the field is only available for input when the withdrawal is made for securities issued in registered form.

#### **7.4.4 Login withdrawal order number**

Each withdrawal order input into CCASS by a Participant will be assigned a unique number, the "Login Withdrawal Order Number". Upon acceptance by HKSCC, a new unique "Withdrawal Order Number" will then be assigned. For ease of identification, the "Withdrawal Order Number" should be quoted by the Participant in all communication with HKSCC relating to that withdrawal order.

#### **7.4.5 Withdrawal of board lots**

The share quantity to be withdrawn must be a board lot or a multiple of a board lot.

Once a board lot withdrawal order is authorized and accepted by the system, the Participant's specified Stock Account will be debited automatically by the system with the withdrawal quantity of shares. Once accepted by the system, the withdrawal order cannot be cancelled by the withdrawing Participant.

#### **7.4.6 Withdrawal of odd lots**

The share quantity to be withdrawn must not be a board lot or a multiple of a board lot.

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Once an odd lot withdrawal order is authorized and accepted by the system, the withdrawn share quantity will be recorded as a "withhold" stock balance in the stock account of the withdrawing Participant. Such "withhold" stock balance may not be utilised by the Participant for any CCASS purposes other than for the odd lot withdrawal order. The "withhold" share quantity will be debited from the withdrawing Participant's Stock Account when the required odd lot share certificate has been received from the share registrar after splitting. The withdrawing Participant may not cancel an odd lot withdrawal order once such order is authorised and accepted by the system.

In respect of the board lot or odd lot withdrawal order, HKSCC reserves the right to offer board lot or odd lot or jumbo certificates or a combination of board lot, odd lot and/or jumbo certificates depending on the availability of certificates.

#### **7.4.7 Withdrawal of bearer Debt Securities issued in global form**

For withdrawal of both board lots and odd lots of bearer Debt Securities issued in global form, the withdrawing Participant is required to provide the CCASS Depository with full details of the beneficiary (see Section 7.6(v)). Once the withdrawal order is authorized, the order will be withheld by the system awaiting the provision of the beneficiary details from the withdrawing Participant. When the beneficiary details are received by the CCASS Depository, the order will be accepted by the system, the Participant's specified Stock Account will be debited automatically by the system by the amount of the withdrawn quantity of Debt Securities. The Debt Securities certificate will be available for collection when the certificate has been received by HKSCC from the share registrar or transfer agent appointed by the issuer after splitting/registration.

#### **7.4.8 Collection of share certificates**

A Participant other than an Investor Participant can enquire via its CCASS Terminal the status of its withdrawal orders. If the withdrawal order is under "ready for collection" status, the Participant can collect the certificates from the CCASS Depository.

Certificates relating to a withdrawal order input before 2:00 p.m. can normally be collected before 5:00 p.m. on the same day (or such time as HKSCC may prescribe). All withdrawal orders input after 2:00 p.m. will be processed for certificates to be collected on the next Business Day (or such time as HKSCC may prescribe). Participants that fail to collect the certificate relating to any withdrawal order from the CCASS Depository within two Business Days from the date the share certificates are available for collection shall be liable to an administrative charge. HKSCC reserves the right to re-credit any such Eligible Securities which remain uncollected after the two Business Days period to the Stock Account of the relevant Participant and no refund of the withdrawal fee shall be made by HKSCC.

Participants may input a withdrawal order for Eligible Securities up to 2:00 p.m. on the last registration day (or such earlier time as HKSCC may prescribe) and the request will be processed for certificates to be collected thereafter on the same day. Withdrawal orders cannot be input after 2:00 p.m. on the last registration day of any Eligible Securities to effect



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withdrawal of such Eligible Securities, withdrawal orders will have to be input on the next Business Day.

It is the responsibility of the Participant to produce the Stock Collection Authorisation Form with the correct "Withdrawal Order Number" stated thereon at the relevant counter of the CCASS Depository in order for the CCASS Depository to release the certificates of the relevant Eligible Securities. The CCASS Depository has the right to reject any request for collection of certificates if the details in the Stock Collection Authorisation Form are not complete and/or accurate.

The authorised representative of the Participant authorised to collect the certificates is required to present his identity card to the HKSCC counter staff for checking. HKSCC will on the basis of the Stock Collection Authorisation Form submitted by the Participant check to ensure that the representative is the authorised person to collect the relevant certificates relating to the withdrawal order. The CCASS Depository will not release any certificates to any person if he is not the authorised person specified on the Stock Collection Authorisation Form.

Upon collection, a Participant's authorised representative will be given a copy of the relevant Stock Withdrawal Receipt with details of the certificate numbers and quantities withdrawn printed thereon. The authorised representative has to sign the Stock Withdrawal Receipt to acknowledge receipt of the relevant certificates of the Eligible Securities withdrawn.

## **7.5 SECURITY CONTROL**

A complete record of details relating to each deposit and withdrawal of Eligible Securities into or out of the CCASS Depository will be retained by the CCASS Depository. The records will include details of :

- (i) the Participant involved in each deposit (except for New Issue Shares) or withdrawal;
- (ii) the date of each deposit or withdrawal;
- (iii) the quantity and the type of Eligible Securities involved; and
- (iv) the certificate numbers of the Eligible Securities concerned.

## **7.6 FORMS**

Various forms are used in connection with the operation of the CCASS Depository. The most commonly used forms are referred to below:

- (i) Stock Deposit Form (see CCASS Terminal User Guide for Participants for the form): this is to be used for each deposit of Eligible Securities into CCASS;

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- (ii) Stock Collection Authorisation Form (see CCASS Terminal User Guide for Participants for the form): this enables a Participant to notify HKSCC of the persons authorised to collect certificates relating to a withdrawal order from the CCASS Depository on its behalf;
  - (iii) Void Voucher (see CCASS Terminal User Guide for Participants for the form): this will normally be sent by the CCASS Depository to a Participant if an error is detected on the same day of a deposit or withdrawal by the Participant;
  - (iv) Adjustment Voucher (see CCASS Terminal User Guide for Participants for the form): this will normally be sent by the CCASS Depository to a Participant if an adjustment needs to be made subsequent to the day of deposit or withdrawal by the Participant (eg. data entry error); and
  - (v) Beneficiary Details and Registration Authorisation Form for bearer Debt Securities issued in global form (see CCASS Terminal User Guide for Participants for the form): this is to be used for each withdrawal of Debt Securities issued in global bearer form from CCASS. It is to be used to specify the details of the beneficiary of the certificate to be withdrawn.

Stock Collection Authorisation Forms and Beneficiary Details and Registration Authorisation Form for bearer Debt Securities issued in global form are to be signed by the authorised signatories of Participants. Stock Deposit Forms are to be signed by persons authorised by the Participants and "signed", in this case, includes the authorized persons affixing or making stamped impression of their signatures. Void Vouchers and Adjustment Vouchers will be signed by the CCASS Depository.

Stock Withdrawal Receipt will be issued by the CCASS Depository to a withdrawing Participant upon each withdrawal of Eligible Securities (as well as securities entitlements which are not Eligible Securities) from CCASS.

## **7.7 WITHDRAWAL ORDER FUNCTIONS AVAILABLE FOR USE**

Various withdrawal order functions are available for use by Participants other than Investor Participants through their CCASS Terminals. To access the relevant withdrawal order, a Participant will need to key into its CCASS Terminal the "Login Withdrawal Order Number" of such withdrawal order.

The functions available for use by Participants other than Investor Participants are:

- (i) "Change Login Withdrawal Order" function: which allows a Participant to change certain input data of a pending withdrawal order before it is authorised;
- (ii) "Delete Login Withdrawal Order" function: which allows a Participant to delete a pending withdrawal order before it is authorised;

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- (iii) "Enquire Login Withdrawal Order" function: which provides a list screen for a Participant to see all of its withdrawal orders at any time up to the date of the collection of the certificates relating to the withdrawal order and also enables a Participant to check the details and status of its withdrawal orders;
  - (iv) "Authorise Login Withdrawal Order" function: which allows an Authorised User of a Participant to authorise a pending withdrawal order; and
  - (v) "Cancel Login Withdrawal Order" function: which allows a Participant to cancel an odd lot withdrawal order which has already been authorised, when a Participant does not intend to wait for the splitting of relevant Eligible Securities.

For further details Participants may refer to the relevant section(s) of the CCASS Terminal User Guide.

## **7.8 PURGING OF WITHDRAWAL ORDERS**

Pending withdrawal orders may from time to time be purged from CCASS by HKSCC. The purging of withdrawals is initiated by HKSCC and not by the Participants.

Pending withdrawal orders will be purged from CCASS three Business Days after input.

## **7.9 RELEVANT CCASS REPORTS**

### **7.9.1 Reports available**

Two reports relating to withdrawal orders are available to Participants other than Investor Participants in CCASS, namely:

- (i) the Withdrawal Order Audit Trail Report; and
- (ii) the Withdrawal Order Status Report.

Both reports are available daily from 8:00 a.m. and relate to matters affecting withdrawal orders input on the previous Business Day.

The two reports are prepared in a pre-defined format in CCASS and hard copies of such reports can be printed from CCASS Terminals or Participant Gateways of Participants via the "request download" function.

**Withdrawal Orders Audit Trail Report :** This report shows details of withdrawal orders input activities (including add, change, delete, authorise, and cancel withdrawal orders) of a Participant on a Business Day, and lists withdrawal orders that are purged by HKSCC on that day in chronological order.

**Withdrawal Orders Status Report :** This report lists all withdrawal orders of different status (including pending, accepted, withhold, cancel, confirm, ready for collection, shares

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collected) of a Participant as at the end of a Business Day.

For detailed explanation of the status, please refer to the CCASS Terminal User Guide.

## **7.10 EXCHANGE FUND NOTES, GOVERNMENT BONDS, SPECIFIED INSTRUMENTS AND CMU INSTRUMENTS**

### **7.10.1 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 and physical withdrawal of Exchange Fund Notes and Government Bonds from the CCASS Depository are not available. Accordingly, Rules relating to 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.

### **7.10.2 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 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.

### **7.10.2A Custodian services in relation to CMU Instruments**

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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.

### **7.10.3 Legal title of 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 Participant.

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

## **7.11 FOREIGN SECURITIES**

### **7.11.1 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 Depository if the Participant gives a Cross-Border Transfer Instruction for the securities to be so transferred in accordance with Sections 9.6A and 12.5.

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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 the Participant.

Save as 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. Participants that wish to withdraw certificated Foreign Securities from an Appointed Depository via HKSCC must submit to HKSCC a completed and signed prescribed form as set out in the CCASS Terminal User Guide for Participants. Physical withdrawal of Foreign Securities which are uncertificated or issued in global form from an Appointed Depository via HKSCC is not available.

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 other 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 Section 7.11.1 or any other matter required by applicable law.

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

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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 and procedures set forth in this Section 7.11.1, any securities other than Eligible U.S. Securities permitted by Section 7.11.1 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.

## **7.12 STRUCTURED PRODUCTS**

### **7.12.1 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 Depository or an Appointed Depository. 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.

## **7.13 PROCEDURES FOR TRANSFER OF MULTI-COUNTER ELIGIBLE SECURITIES**

### **7.13.1 Submission of Multi-counter Transfer Instructions**

A Participant other than an Investor Participant that wishes to effect a transfer of Multi-counter Eligible Securities in its Stock Accounts from one stock code of Multi-counter Eligible Securities of an Issuer to another stock code of Multi-counter Eligible Securities of the same Issuer should submit a Multi-counter Transfer Instruction to HKSCC electronically via the Participant's CCASS Terminal or through other means as specified by HKSCC from time to time. Participants are requested to refer to the CCASS Terminal User Guide for further information on the use of the relevant maintenance function.

An Investor Participant that wishes to effect a transfer of Multi-counter Eligible Securities in its Stock Account from one stock code of Multi-counter Eligible Securities of an Issuer to another stock code of Multi-counter Eligible Securities of the same Issuer should submit a duly completed and signed Multi-counter Transfer Instruction Form (as set out in the Operating Guide for Investor Participants) to HKSCC or through other means as HKSCC may

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specify from time to time. The Form, stamped with the company chop of the Investor Participant (if applicable), should be submitted to the Customer Service Centre of HKSCC for processing.

### **7.13.2 Relevant CCASS Report**

A report recording both the Multi-counter Transfer Instructions and Parallel Trading Conversion Instructions submitted by Participants other than Investor Participants is available daily from the time the report download function is available. For further details regarding the report, please refer to the CCASS Terminal User Guide.

## **7.13A PROCEDURES FOR CONVERSION OF HOLDINGS OF ELIGIBLE SECURITIES SUBJECT TO PARALLEL TRADING ARRANGEMENTS**

### **7.13A.1 Submission of Parallel Trading Conversion Instructions**

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, HKSCC may provide conversion service for the Eligible Security.

A Participant other than an Investor Participant that wishes to effect the conversion of its holdings in an Eligible Security subject to parallel trading arrangements in its Stock Accounts from one relevant stock code to another relevant stock code on a one to one basis should, during the period specified by HKSCC, submit a Parallel Trading Conversion Instruction to HKSCC electronically via the Participant's CCASS Terminal or through other means as specified by HKSCC from time to time. Participants are requested to refer to the CCASS Terminal User Guide for further information on the use of the relevant maintenance function.

### **7.13A.2 Relevant CCASS Report**

A report recording both the Multi-counter Transfer Instructions and Parallel Trading Conversion Instructions submitted by Participants other than Investor Participants is available daily from the time when the report download function is available. For further details regarding the report, please refer to the CCASS Terminal User Guide.

## **7.14 UNCERTIFICATED ELIGIBLE SECURITIES**

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

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

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 to its Stock Account with CCASS (or vice versa) will be required to provide a Cross-Border Transfer Instruction in accordance with Sections 9.6A and 12.5.



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).

#### **7.14.2 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.

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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) and their holdings in China Connect Securities shall be subject to the applicable laws of Mainland China and Hong Kong, including any laws which restrict foreign shareholding or impose a disclosure of interest obligation on the holder beyond a specified limit. Participants shall be responsible for ensuring that they comply with such applicable laws.

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

- (a) it shall not raise any claims (whether in contract, tort or otherwise) against HKSCC arising from or relating to any form of tax, duty, fine or penalty imposed or levied on or in respect of the China Connect Securities under any applicable law or regulation, whether or not HKSCC is involved in any tax collection, withholding or related arrangement; and

- (b) unless HKSCC otherwise agrees, it shall only give voting or other instructions to HKSCC and not directly to the issuer or its authorised agents or representatives (if any).

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## Section 8

### Nominee Services

#### 8.1 PROVISION OF NOMINEE SERVICES

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

#### 8.2 GENERAL PRINCIPLES

##### 8.2.1 Scope and procedures

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

HKSCC intends to monitor all corporate actions or activities affecting Eligible Securities and to keep Participants informed of all such actions and activities which require Participants to take steps in order to participate in them.

Generally, the types of corporate actions or activities in respect of which nominee services are provided by HKSCC, as well as the procedures adopted by HKSCC in relation thereto, are set out in Section 8.4 to Section 8.20C. The procedures for giving Electronic Application Instructions for New Issue Shares and Tender Instructions are set out in Sections 8.18A and 8.19 respectively. If there is any change to such procedures, or if any of the foregoing services will not be provided, HKSCC will inform Participants other than Investor Participants via CCASS Terminals, Participant Gateways and/or by way of circulars and in the case of Investor Participants, by the CCASS Phone System, by the CCASS Internet System, by way of circulars and/or in the activity statement.

In respect of (a) corporate actions or activities affecting Eligible Securities and (b) matters relating to Electronic Application Instructions for New Issue Shares and other electronic applications for or in connection with securities and Tender Instructions which are not dealt with in Section 8.4 to Section 8.20C, HKSCC will usually inform Participants other than Investor Participants via CCASS Terminals, Participant Gateways, SWIFT (for subscribers of the CA ISO Message Service only) and/or by way of circulars and in the case of Investor Participants, by the CCASS Phone System, by the CCASS Internet System, by way of circulars and/or in the activity statement as to whether or not nominee services will be provided and, if so, the procedures to be adopted.

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

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notified to HKSCC by the relevant issuer or its agent. The Participant shall separately hold Treasury Shares and/or Treasury Units in a segregated Stock Account if so instructed by the relevant issuer.

If Eligible Securities credited to a Participant's Stock Account under an ISI Transaction are on hold, HKSCC may limit the scope and extent of nominee services to be provided with respect to them.

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

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

### 8.2.2 HKSCC's role

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

- (i) **Announcement/communication:** this refers to announcements by issuers or Depositories of Eligible Securities (eg. declarations of dividends or announcements of notifiable transactions) or announcements by third parties affecting holders of Eligible Securities (eg. announcements of take-over offers) as well as the distribution of corporate communications by the issuers of Eligible Securities other than China Connect Securities to holders of those Eligible Securities other than China Connect Securities and by Depositories (eg. release of annual reports, circulars to shareholders containing details of notifiable transactions etc.). Here, the role of HKSCC as provider of nominee services to Participants will be to endeavour to bring the relevant matters to the attention of the Participants concerned or to arrange for the distribution of copies of relevant corporate communications to Participants;
- (ii) **Voting:** this refers to actions or activities affecting Eligible Securities that are to be voted upon by the holders of those Eligible Securities. Here, the role of HKSCC will be to endeavour (i) to obtain the instructions of Participants and, where applicable, instructions of SSA Statement Recipients in relation to the Eligible Securities in SSA with Statement Service for the account of Clearing Participants or Custodian Participants, (ii) to vote, (iii) if appropriate, to make a demand for poll on their behalf, and (iv) where the applicable laws, rules or regulations or the constitutional documents of the relevant Overseas Issuer or issuer so permit or require, to appoint persons nominated by Participants and, where applicable, by SSA Statement Recipients as aforesaid to attend meetings directly. In respect of Uncertificated Securities, this refers to or may include (where applicable or where the applicable laws, rules or regulations or the constitutional documents of the relevant Overseas Issuer or

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issuer so permit or require), HKSCC communicating or passing on any voting or other instructions, proxy nominations or appointments or all other authorizations, declarations, requests or information received from Participants and, where applicable, from SSA Statement Recipients to the relevant Overseas Issuer or issuer or its authorized agents or representatives including the Overseas Issuer or issuer's principal or branch share registrar. Notwithstanding the foregoing, HKSCC shall not be obliged to communicate, vote or take any action on behalf of Participants or their SSA Statement Recipients where communication, voting or the taking of action must be performed in person at a place outside of Hong Kong instead of by facsimile or electronic means.

- (iii) Entitlements/actions (not requiring the exercise of discretion) : this refers to actions or activities affecting Eligible Securities, such as dividend payments, issues of bonus shares, interest payments, bond and note redemption etc. where no decision is required to be made by Participants as the holders of Eligible Securities. Here, the role of HKSCC will be to endeavour to collect the entitlements and distribute them to Participants;
- (iv) Entitlements/actions (requiring the exercise of discretion): this refers to actions or activities affecting Eligible Securities such as rights issues, take-over offers, bond conversion, redemption of shares, etc. where Participants, as the holders of Eligible Securities, are expected to decide whether or not, or how, to participate in such actions or activities. Here, provided that it is practicable or legally permissible for HKSCC to do so, HKSCC's role as provider of nominee services will be to endeavor to collect instructions etc. from Participants and to take action on their behalf or to facilitate the taking of actions by Participants directly;
- (v) Electronic Applications for New Issue Shares: HKSCC's role will be to endeavour to obtain Electronic Application Instructions for New Issue Shares from Participants which are FINI CP Users and (a) to cause the Nominee to apply for New Issue Shares on their behalf, (b) to inform such Participants' Designated Banks of their FINI PFRs and final settlement obligations; (c) to arrange payment of money via FINI CHATS Payment Instructions to be issued by HKSCC via FINI, (d) upon receipt of allotted New Issue Shares and file(s) containing information as to the identity of Participants to whom New Issue Shares have been allocated and the number of New Issue Shares allocated to each of them, to cause such allotted New Issue Shares to be credited to the Stock Accounts of the relevant Participants and (e) upon cancellation of the New Issue or any other circumstances requiring a refund as provided in the Prospectus, to generate FINI CHATS Payment Instructions for the purpose of arranging payment of the refund money;
- (vi) Tender Instructions: HKSCC's role will be to endeavour to obtain Tender Instructions from Participants and (a) to collect the moneys payable in respect of the tender or application by debiting the Participants' Money Ledgers, (b) to cause HKSCC or its nominee to tender or apply for Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments on their behalf, (c) to return moneys to the relevant Participants as soon as practicable if the tender or application is unsuccessful or partially successful and (d) upon allotment of the Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments, to cause them to be credited to the Stock Accounts of the relevant Participants; and
- (vii) Electronic Applications for Issue and Redemption of Units: HKSCC's role will be to endeavour to obtain instructions from Participants and to arrange payment of moneys due, and transfers of securities to be made, on issue and redemption of Units and to arrange refunds of moneys due, and retransfers of securities to be made, on rejection

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or cancellation of instructions.

### **8.2.3 Scope of nominee services provided by HKSCC**

Full nominee services will normally be provided by HKSCC in respect of the following types of corporate actions or activities :

- (i) corporate announcements - Section 8.4;
- (ii) corporate communications - Section 8.5;
- (iii) voting - Section 8.6;
- (iv) cash dividend entitlements - Section 8.7;
- (v) bonus issues of securities - Section 8.8;
- (vi) dividend entitlements with options - Section 8.9;
- (vii) rights issues - Section 8.10;
- (viii) open offers - Section 8.11;
- (ix) take-over offers - Section 8.12;
- (x) conversion of warrants - Section 8.13;
- (xi) sub-divisions, consolidations etc. - Section 8.14;
- (xii) interest payments - Section 8.15;
- (xiii) conversion of bonds - Section 8.16;
- (xiv) bond, Exchange Fund Notes, Specified Instruments and CMU Instruments redemption - Section 8.17;
- (xv) redemption of shares – Section 8.17A;
- (xvi) Electronic Application Instructions for New Issue Shares - Section 8.18A;
- (xvii) Tender Instructions - Section 8.19;
- (xviii) electronic applications for the issue and redemption of Units - Section 8.20;
- (xix) scrip and/or cash payment relating to Structured Products – Section 8.20A;
- (xx) redemption of Structured Products which have a rollover mechanism – Section 8.20B; and
- (xxi) requisitions - Section 8.20C.

### **8.2.4 Entitlements of Participants**

Generally, a Participant's entitlement will be determined by HKSCC by reference to its holding of the relevant Eligible Securities credited to its Stock Account as at the last registration day before book-close or record date (the entitlements of HKSCC or the

Nominee being also determined by reference to the same date), such day being the last day on which transfers of Eligible Securities can be submitted for registration in order to qualify for the entitlement. If a Participant holds or will hold any Treasury Shares or Treasury Units whose rights and entitlements are excluded by an issuer in its Stock Account as at such last registration day before book-close or record date, the Participant shall promptly notify HKSCC and disclose the identity of the relevant issuer, the total number of Treasury Shares and/or Treasury Units so held and such other information as HKSCC may prescribe from time to time as soon as practicable after such last registration day before book-close or record date.

However for administrative convenience, HKSCC may use some other date for the purpose of determining the entitlements of Participants in certain corporate actions or activities. For example, in relation to voting in respect of corporate actions or activities not subject to book-close periods or record date, the voting rights of Participants will be determined by reference to their holdings of the relevant Eligible Securities as at the relevant stated deadline (as specified in Section 8.6.2) (see Section 8.6.4).

In respect of Participants other than Investor Participants, if stock positions remain unsettled as at the date on which the entitlements of Participants are determined by HKSCC (or if there is a negative stock balance in the Stock Account of a Participant then), certain adjustments to the entitlements of such Participants will have to be made.

For outstanding stock positions under the CNS System, the relevant claim or adjustment procedures are set out in Section 10.9. Participants with outstanding stock positions for trade-for-trade transactions will have to pursue their counterparty Participants in default in the normal way.

In case of any holding of the relevant Eligible Securities deposited or credited prior to or on the last registration day before book close or record date is subsequently found to be defective, adjustments to the entitlements of Participants will have to be made.

In respect of any negative stock balance in the Stock Accounts of a Clearing Participant or Clearing Agency Participant as at the date on which entitlements of Participants relating to corporate actions affecting an Eligible Security are determined by HKSCC, the entitlements accruing to such negative stock balance will be offset against the entitlements, if any, which would otherwise accrue to any outstanding long stock position of that Clearing Participant or Clearing Agency Participant in the same Eligible Security under the CNS System. Otherwise, a Participant other than an Investor Participant with a negative balance in its Stock Account will be dealt with in substantially the same way as Clearing Participants or Clearing Agency Participants with outstanding short stock positions under the CNS System (see Section 10.9).

In respect of any negative stock balance in the Stock Account of an Investor Participant as at the date on which entitlements of such Participant relating to corporate actions affecting an Eligible Security are determined by HKSCC, HKSCC shall have the right to withhold the distribution of the entitlements accruing to such negative stock balance or a right of recourse against the Participant in respect of the entitlements in the event of a distribution of such entitlements.

If an ISI Transaction settled on a DVP basis is cancelled by HKSCC because Negative Confirmation of Payment has not been obtained and the receiving Participant's Designated Bank has not made the required payment in response to the relevant debit EPI, HKSCC may make adjustments to the entitlements of such receiving Participant.

### **8.2.5 Right to entitlements**



HKSCC's ability to provide nominee services to Participants often depends on whether or not HKSCC or the appropriate Appointed Depository has received deposit of the Eligible Securities prior to or on the last registration day before the relevant book-close or record date to enable HKSCC or the appropriate Appointed Depository to arrange to have Eligible Securities registered in the name of the Nominee or the appropriate Appointed Depository or its nominee in time for the relevant corporate actions or activities (or for other administrative purposes as in the case of Eligible Securities issued in bearer form).

In most cases, HKSCC should receive sufficient notice of corporate actions or activities for it to arrange for all relevant Eligible Securities already held or recorded in CCASS to be submitted for registration in the name of the Nominee prior to the relevant book-close or record date.

In the event that this cannot be achieved, HKSCC will allocate the right to participate in such corporate actions or activities among Participants, either on a pro-rata basis or in any other ways considered to be fair and appropriate by it (in which case it may take into account the timing of the deposits of Eligible Securities by different Participants).

#### **8.2.6 Time limits for deposits and withdrawals**

Time-limits will be prescribed by HKSCC in relation to the deposit of Eligible Securities (other than Foreign Securities) for the purpose of participating in corporate actions or activities affecting Eligible Securities.

Participants depositing Eligible Securities after such time-limits may not receive nominee services (other than Foreign Securities) provided by HKSCC in relation to the corporate actions or activities concerned.

If Participants wish to participate in corporate actions or activities affecting Eligible Securities (other than Foreign Securities) through CCASS, the relevant Eligible Securities must usually be deposited into CCASS at the latest by, 12:00 noon on the last registration day before the relevant book-close or record date (or such earlier time as HKSCC may prescribe). Participants wishing to make their own arrangements should withdraw the relevant Eligible Securities from CCASS as soon as possible and, in any event, before 2:00 p.m. on the last registration day before the relevant book-close date or record date (or such earlier time as HKSCC may prescribe).

On the last Business Day before the relevant corporate action effective date or book-close date or record date (or such other time as may be prescribed by HKSCC), no deposit and withdrawal of relevant Eligible Securities by Participants will normally be accepted by HKSCC after 12:00 noon and 2:00 p.m. respectively on that day.

#### **8.2.7 Time limits for instructions from Participants etc.**

In relation to certain types of corporate actions or activities affecting Eligible Securities (other than Foreign Securities), HKSCC may also prescribe time-limits on Participants for the giving of instructions or the taking of relevant actions (e.g. putting HKSCC in funds). Unless otherwise stated, the time-limits and procedures for the different types of corporate actions or activities specified in this Section 8 are prescribed on the basis that the deadlines for such corporate actions or activities fall on a Business Day. If the prescribed time-limit or procedures for any such corporate action or activity will be different as a result of the deadline being a non-Business Day, Participants will be notified of the relevant time-limit and procedures (if any) by such means as HKSCC deems appropriate.

Failure by a Participant to observe such time-limits may result in it not receiving nominee services provided by HKSCC in relation to the corporate actions or activities concerned.

Once Participants give instructions to HKSCC, they will be under an obligation to ensure that they have the relevant number of Eligible Securities (in respect of which instructions have been given) in their Stock Accounts, other than the Stock Collateral Control Accounts and where the Participants are TSF CCASS Participants, other than their TSF Accounts, if the instructions require submission of Eligible Securities, and, as the case may be, place HKSCC in funds by the appropriate date to give effect to the instruction. 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. Failure to observe this obligation may result in HKSCC not giving effect to such instructions or taking other appropriate actions including the taking of disciplinary action to redress the position.

Further, 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, once such instructions have been accepted for processing and/or effected by HKSCC.

#### **8.2.8 "Dummy" stock codes**

For securities entitlements accruing to Eligible Securities which are not themselves Eligible Securities (or which have not been allocated a stock code by the Exchange, if applicable), HKSCC will assign a "dummy" stock code to such securities for identification purposes in CCASS.

#### **8.2.9 Repurchased securities**

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.

If a Participant has not withdrawn any such repurchased securities from CCASS as at the last registration day before book-close or record date, the Participant shall promptly notify HKSCC and disclose the identity of the relevant issuer, the total number of repurchased securities so held and such other information as HKSCC may prescribe from time to time as soon as practicable after such last registration day before book-close or record date.

The Participant acknowledges that the relevant issuer may exclude such repurchased securities from any actions, transactions or other matters affecting or relating to its securities and HKSCC may cease to render services in respect of such repurchased securities.

### **8.3 CORPORATE ANNOUNCEMENT INFORMATION**

#### **8.3.1 Enquiry through CCASS Terminals or CCASS Phone System or CCASS Internet System**

In the case of corporate actions or activities affecting Eligible Securities which require or may require Participants to take steps in order to participate in such actions or activities via CCASS, (e.g. voting, dividends, rights issues, etc.), if nominee services are to be provided, HKSCC will inform Participants other than Investor Participants via CCASS Terminals through the "Enquire Announcement Information" function (for corporate actions or activities affecting Eligible Securities) and, in the case of Investor Participants, via the CCASS Phone System and the CCASS Internet System. Investor Participants will be informed of any issue of Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments available for tender or application via the CCASS Phone System and the CCASS Internet System whilst Participants other than Investor Participants can obtain such information via the "Enquire Authorized Tender Announcement" function of CCASS

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Terminals.

The Enquire Announcement Information screen (in CCASS Terminals) and the Corporate Action Deadline Enquiry facility (in the CCASS Phone System) will contain details of the relevant time-limits to be observed. In the case of Tender Instructions, the Enquire Authorized Tender Announcement screen (in CCASS Terminals) and the Tender Enquiry facility (in the CCASS Phone System) will provide details of time limits of CCASS for accepting Tender Instructions. Participants that wish to participate in such corporate actions or activities shall input their instructions through CCASS Terminals in the case of Participants (other than Investor Participants) or give their instructions via the CCASS Phone System, or the CCASS Internet System or at the Customer Service Centre in the case of Investor Participants.

Participants will have to comply with the relevant procedures stipulated by HKSCC in circulars, Broadcast Messages Service or by other means and any other requirements stated (e.g. the requirements of Issuers of Eligible Securities) in order to participate in corporate actions or activities or to give Tender Instructions.

### **8.3.1A Reports and Data Files through CCASS Terminals or Participant Gateways**

In relation to the corporate announcement information available via the "Enquire Announcement Information" function (for corporate actions or activities affecting Eligible Securities), HKSCC will also provide such information in the form of i) a Corporate Announcement Master Data File; and ii) a Corporate Announcement Maintenance Activities Report to Participants other than Investor Participants via CCASS Terminals and Participant Gateways, three times daily on each Business Day (around 1:00 p.m., 3:30 p.m. and 6:00 p.m.). The Corporate Announcement Master Data File is only available in data file format, which carries the details of all active corporate announcements (e.g. those with their election, voting and subscription end dates not yet reached). The Corporate Announcement Maintenance Activities Report is available both in report format and data file format. All current day created or updated corporate announcement records will be included in the report/data file. Detailed explanations of the report/data files are set out in the CCASS Terminal User Guide for Participants.

### **8.3.2 Book-Close Reminder**

In relation to corporate actions or activities subject to a book-close period or a record date, usually from seven Business Days prior to the relevant book-close or record date (or from a lesser number of Business Days prior to the relevant book-close or record date if the notice period for book-closure or record date is less than ten Business Days), reminders will be posted under the section "Book-Close Reminder" of the Entitlement Statement available to Participants other than Investor Participants via CCASS Terminals and Participant Gateways on a daily basis.

The reminder posted under the "Book-Close Reminder" section will give details of the corporate actions or activities and the information provided will include :

- (i) voting period;
- (ii) book-close period or record date;
- (iii) instruction input period;
- (iv) effective date;
- (v) election period;
- (vi) stock code and stock name and/or ISIN;

- (vii) announcement reference number; and
- (viii) announcement summary.

This "Book-Close Reminder" service only applies to corporate actions or activities-relating to Eligible Securities.

In the case of Investor Participants, the book-close reminder will, as soon as the event is updated to the CCASS Phone System and the CCASS Internet System, be available on the CCASS Phone System and the CCASS Internet System and reported in the "Reminder" section in the activity statement for Investor Participants containing similar information.

### **8.3.3 Corporate Action Reminder**

In relation to corporate actions such as shares consolidation/splitting, reminders will be posted under the "Corporate Action Reminder" section of the Entitlement Statement available to Participants other than Investor Participants via CCASS Terminals and Participant Gateways on a daily basis.

The "Corporate Action Reminder" section will give details of corporate actions from seven Business Days before the effective date and the information provided will include:

- (i) effective date;
- (ii) stock code and stock name and/or ISIN;
- (iii) announcement reference number;
- (iv) announcement summary;
- (v) event number; and
- (vi) event summary.

This "Corporate Action Reminder" service shall only apply to corporate actions or activities relating to Eligible Securities.

In the case of Investor Participants, the corporate action reminder will, as soon as the event is updated to the CCASS Phone System, be available on the CCASS Phone System and shortly after that, posted on the CCASS Internet System and also reported in the "Reminder" section in the activity statement for Investor Participants containing similar information.

### **8.3.4 Entitlement Statement and activity statement**

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

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

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Clearing Agency Participants for outstanding short positions under the CNS System or in the case of Participants with "negative" balances in their Stock Accounts;

- (ii) an update as to entitlements distributed to Participants;
- (iii) relevant fees and/or charges charged to Participants (see Section 21);
- (iv) details of receivables with respect to warrant subscriptions and bond conversions with relevant subscription/conversion money;
- (v) details of receivables with respect to take-over offers, rights subscriptions, scrip and/or cash payment of Structured Products and redemption of bonds, Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments, etc; and
- (vi) details of claims relating to unclaimed benefit entitlements and the associated charges.

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

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

The activity statement of Investor Participants will, other than the Tender activity section, "Reminder" section, entitlement section and money transaction activities section, contain the following information:

- (i) details of entitlement election activities;
- (ii) details of corporate voting activities;
- (iii) details of subscription activities;
- (iv) registration fees and other relevant fees and/or charges to Investor Participants (see Section 22); and
- (v) details of claims relating to unclaimed benefit entitlements and the associated charges.

### **8.3.5 Receipt of entitlements**

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

The aim is to have entitlements received by HKSCC distributed to Participants as soon as practicable. If entitlements in the form of cash are received by HKSCC at or before 3:45 p.m. on a Business Day, HKSCC will usually cause such entitlements to be credited to the Money Ledgers of the relevant Participants on the same day. Otherwise, HKSCC will credit the entitlements on the following Business Day.

If entitlements in the form of securities are received by HKSCC at or before 5:00 p.m. on a Business Day or 12:00 noon on a Saturday, HKSCC will usually cause such entitlements to be credited to the Stock Accounts of the relevant Participants on the same day in multiple

batches in accordance with Section 6.2. Otherwise, HKSCC will credit the entitlements on the following Business Day (Saturday being treated as a Business Day for this purpose, unless it is a public holiday).

If entitlements in relation to China Connect Securities in the form of scripless entitlements are unconditionally credited to HKSCC's stock account maintained with the China Connect Clearing House at or before 7:00 p.m. on a Mainland Business Day in the case of the SSE Market or at or before 8:00 p.m. in the case of the SZSE Market, HKSCC will usually cause such entitlements to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2.2. Otherwise, HKSCC will credit the entitlements on the following Mainland Business Day.

As and when such entitlements, whether in the form of cash or securities, are distributed to Participants, payment or distribution advices will be notified to Participants via CCASS Terminals and Participant Gateways and their Entitlement Statements will be updated in the case of Participants other than Investor Participants or by way of activity statements for Investor Participants.

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

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.

### **8.3.6 Information about Electronic Application Instructions for New Issue Shares**

(i) Enquiry Function:

Information on all New Issue Shares available for input of Electronic Application Instructions for New Issue Shares will be provided through FINI to Participants which are FINI CP Users. For a detailed description of the relevant information, please see the FINI User Guide.

(ii) Information for Participants which are FINI CP Users :

In the event of any New Issue in respect of which Electronic Application Instructions for New Issue Shares may be given to apply for New Issue Shares, Participants which are FINI CP Users will receive notifications from FINI.

FINI will provide details on the timeline for accepting Electronic Application Instructions for New Issue Shares. Participants which are FINI CP Users that wish to give Electronic Application Instructions for New Issue Shares shall input their instructions through FINI. Such FINI service is not available for Investor Participants.

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Details of the FINI functions in relation to the application for New Issue Shares by giving Electronic Application Instructions for New Issue Shares are set out in the FINI User Guide.

- (iii) [Repealed]

### **8.3.7 Information about Tender Instructions**

- (i) Enquiry Function:

Information about Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments available for input of Tender Instructions in CCASS will be provided on the "Enquire Authorized Tender Announcement" screen of the main Participant menu. This is available to Participants (other than Investor Participants) via CCASS Terminals daily. For a detailed description of this screen, please see the CCASS Terminal User Guide.

- (ii) Information for Participants (other than Investor Participants):

The New Issues Entitlement Report for Participants (other than Investor Participants) has two sections relating to Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments, the Reminder section and the Application section (Tendering).

The Reminder section (Tendering) contains a summary of all issues of Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments in respect of which Tender Instructions may be given. The following information on each issue of Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments will be shown:

- (a) stock code and stock name and/or ISIN;
- (b) application period;
- (c) tender date (the date on which HKSCC submits the Tender Instructions to the Issuer or its agent or arranger);
- (d) bid type (if applicable);
- (e) allotment date; and
- (f) refund date.

In respect of an issue of Exchange Fund Notes or Specified Instruments, the above information will usually be shown from four Business Days before the tender date as specified by the HKMA to one Business Day before the tender date. In respect of an issue of Government Bonds or CMU Instruments, such information will usually be shown from the commencement date of the subscription period as specified by the HKMA or Issuer (as the case may be) to the closing date of such subscription period.

The Application section (Tendering) contains information about allocation of Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments and refund of money in respect of unsuccessful or partially successful tenders or applications. For a detailed explanation of the New Issues Entitlement Report, please see the CCASS Terminal User Guide.

- (iii) Information for Investor Participants:

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The information will be summarized in the Tender activity section of the activity statements of Investor Participants. The Tender activity section has two subsections, the Tender Application sub-section and the Tender Allotment Result sub-section.

When an Investor Participant inputs Tender Instructions, the instructions are recorded in the Tender Application sub-section. This sub-section shows the following information:

- (a) details of the Tender Instructions; and
- (b) the amount of tender money and/or application money, and the date when the amount will be debited from the Investor Participant's Designated Bank account.

The Tender Allotment Result sub-section of the activity statement shows detailed information on the Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments issued and the refund of tender monies or application monies.

In addition, the following information will be provided in the money payment summary section of the activities statements of Investor Participants:

- (a) the amount of tender money or application money, and the DDI debit date for such amount; and
- (b) the total refund amount by DCI.

The above information will be recorded in the activity statement of an Investor Participant.

## **8.4 CORPORATE ANNOUNCEMENTS**

### **8.4.1 General**

From time to time, announcements will be made in respect of Eligible Securities. Announcements will normally be made by press notice and may be followed by a circular to the holders of the relevant Eligible Securities (see Section 8.5). HKSCC will endeavour to monitor all corporate or other announcements relating to Eligible Securities.

### **8.4.2 Nominee services offered**

Where nominee services are to be offered, the Participants concerned will normally be informed of relevant actions or activities affecting Eligible Securities held by them via the "Enquire Announcement Information" function through CCASS Terminals. In the case of Investor Participants, corporate announcements may be obtained by way of the "Corporate Action Deadline Enquiry" function in the CCASS Phone System, or the "Enquire Corporate Activities" function in the CCASS Internet System. Participants other than Investor Participants may also refer to the i) Corporate Announcement Master Data File; ii) Corporate Announcement Maintenance Activities Report; and iii) "Book-Close Reminder" section of the Entitlement Statements which can be accessed via their CCASS Terminals or Participant Gateways. Investor Participants may also refer to the "Reminder" section in their activity statement, which details are also posted on the CCASS Internet System.

### **8.4.3 Nominee services not offered**

In relation to corporate or other announcements relating to Eligible Securities which are merely for disclosure or information purposes (eg. a discloseable transaction by an issuer of an Eligible Security which is not subject to shareholders' approval) and no participation in the corporate actions or activities by Participants holding relevant Eligible Securities is



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required, HKSCC may, but is not obliged to, inform Participants of such announcements. Participants are expected to monitor such announcements via the usual channels (e.g. notices in the press).

## **8.5 CORPORATE COMMUNICATIONS**

### **8.5.1 General**

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

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

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

- (i) the issuers of Eligible Securities, via their registrars, will inform HKSCC of new corporate communications events of which copies of corporate communications are required to be sent out under the Listing Rules;
- (ii) Participants other than Investor Participants will normally be informed of new corporate communications events (stating relevant record dates) via the "Enquire Corporate Communications Event" function through CCASS Terminals. Participants other than Investor Participants may also refer to the Corporate Communications Event List which can be accessed via their CCASS Terminals and Participant Gateways;
- (iii) Participants other than Investor Participants and Clearing Agency Participants may inform HKSCC, by means of on-line input or upload function via their CCASS Terminals, of the names and addresses of Recipients who are to receive copies of corporate communications for a corporate communications event. Participants other than Investor Participants and Clearing Agency Participants may also inform HKSCC, by means of the "Recipient Master Maintenance" functions via their CCASS Terminals, of the names and addresses of Recipients who are to receive copies of corporate communications for corporate communications events relating to specified stock codes on a standing basis. Any instruction to HKSCC for a Recipient to receive copies of corporate communications relating to a corporate communications event must be given to HKSCC at the latest one Business Day after the specified record date of the corporate communications event. Participants other than Investor Participants and Clearing Agency Participants shall not submit the names and addresses of Recipients to HKSCC unless they have obtained their written consent to release their information to issuers and their registrars;
- (iv) HKSCC will provide the issuers of Eligible Securities, via their registrars, a list of the names and addresses of Recipients. The list is updated on each event; and

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- (v) the issuers of the Eligible Securities, via their registrars, will send copies of corporate communications direct to Recipients.

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

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

## **8.6 VOTING**

### **8.6.1 General**

Corporate actions or activities affecting Eligible Securities may involve the holding of meetings in order to obtain the approval of the holders on record of the Eligible Securities to the relevant corporate actions and activities.

### **8.6.2 General procedures**

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

Normally, if the voting instructions from Participants carry demand poll request, HKSCC will also consolidate demand poll requests of Participants based on the procedures described below. Where HKSCC finds it appropriate to do so, HKSCC may make a demand for a poll or polls be taken in respect of the stated matters or resolutions to be voted on at the relevant meeting based on the requests of the Participants concerned. In determining whether HKSCC will make a demand for a poll to be taken at the relevant meeting, HKSCC will refer to the constitutive documents of the issuer of the Eligible Securities, the proceedings of the relevant meeting and applicable laws.

Where a Clearing Participant or a Custodian Participant has indicated to HKSCC that it has authorised its SSA Statement Recipient to use the voting services and to give voting

instructions (including instructions to make demand poll requests and instructions to appoint nominated persons to attend and vote at meetings) to HKSCC in relation to the Participant's holdings in the SSA with Statement Service for the account of the Participant, HKSCC may accept and rely on such voting instructions as if they were the voting instructions of the Participant and such voting instruction, for the purpose of the Rules, will be consolidated with the voting instructions given by the Participant. Where applicable, the references to instructions, demand poll requests and nominations of, from and by the Participant in this Section 8.6 shall, unless the context otherwise requires, include instructions, demand poll requests and nominations of, from and by SSA Statement Recipient in relation to the Participant's holdings in the SSA with Statement Service for the account of the Participant, and the references to persons nominated by the Participant shall, unless the context otherwise requires, include persons nominated by SSA Statement Recipient for the account of the Participant as aforesaid. Unless otherwise specified by HKSCC, the procedures in this Section 8.6 will normally be applicable to the use of the voting services and the giving of voting instructions to HKSCC by SSA Statement Recipient for the account of the Participant.

Unless otherwise specified by HKSCC, Participants may change their voting instructions, instructions to appoint persons nominated by Participants to attend a meeting and instructions to make a demand for a poll at any time before the deadline prescribed by HKSCC on Participants for the giving of instructions from time to time. For the avoidance of doubt, the deadline prescribed on Participants for the giving of instructions is also applicable to the giving of instructions by SSA Statement Recipients for the account of Participants.

Normally, for meetings held in Hong Kong and where the constitutional documents of the issuer of the Eligible Securities, the proceedings of the relevant meeting and applicable laws allow more than one corporate representative to be appointed by HKSCC to attend and vote at the meeting, the deadline prescribed by HKSCC on Participants for the giving of instructions is one Business Day before the relevant meeting day. Otherwise, the deadline prescribed by HKSCC on Participants for the giving of instructions will be on a day which in the opinion of HKSCC would enable it to have sufficient time to submit the proxy form or the consolidated voting instruction or the relevant document for appointment of corporate representative, as the case may be, to the designated place of the issuer of the Eligible Securities or its authorized agent or representatives including the issuer's principal or branch share registrar by the stipulated time. For the avoidance of doubt, the deadlines prescribed by HKSCC on Participants for the giving of instructions are also applicable to the giving of instructions by SSA Statement Recipients for the account of Participants.

As a general principle, HKSCC will not vote in respect of Eligible Securities and will not demand a poll be taken at the relevant meeting without the specific instructions of Participants. Further, instructions from Participants which are incomplete, unclear or ambiguous in the view of HKSCC may be treated as invalid and HKSCC may not act on them.

### **8.6.3 Corporate actions subject to book-close period or record date**

If voting is required in respect of corporate actions or activities which are subject to a book-close period or a record date for determining entitlements, the following procedures will normally apply:

- (i) for administrative convenience, the voting rights of Participants will usually be determined by HKSCC by reference to the relevant Eligible Securities credited to their Stock Accounts as at the last registration day before the relevant book-close or record date (although HKSCC reserves the right to use another date for such purpose).

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Where a Clearing Participant or a Custodian Participant has authorised its SSA Statement Recipient to give voting instructions in relation to the holdings of Eligible Securities in the SSA with Statement Service for the account of the Participant, the Participant itself shall not exercise the voting rights or give voting instructions in relation to those Eligible Securities. The relevant dates may be enquired by Participants other than Investor Participants via the Enquire Announcement Information function available through CCASS Terminals;

- (ii) shortly after the announcements of the relevant corporate actions or activities, or from the relevant book-close or record date, HKSCC will generate voting instructions advices to relevant Participants via CCASS Terminals, the CCASS Phone System and the CCASS Internet System. HKSCC will also generate voting instructions advices to relevant SSA Statement Recipients via the CCASS Phone System and the CCASS Internet System;
- (iii) Investor Participants wishing to give voting instructions must give their instructions via the CCASS Phone System or the CCASS Internet System, or at the Customer Service Centre. Participants other than Investor Participants wishing to give voting instructions must input their instructions in a CCASS Terminal. In each case, Participants must give or input details such as the number of Eligible Securities concerned and their voting instructions in respect of the stated matters or resolutions by the stated deadline (as specified in Section 8.6.2 above). SSA Statement Recipients giving voting instructions in relation to SSA with Statement Service for the accounts of Clearing or Custodian Participants must give their instructions via the CCASS Phone System or the CCASS Internet System by the stated deadline (as specified in Section 8.6.2 above) and may change their voting instructions at any time before such stated deadline. Participants may change their voting instructions at any time before such stated deadline;
- (iv) based on the instructions of Participants, HKSCC will consolidate all voting instructions (other than voting instructions to be acted upon by the person nominated by the Participant to attend and vote at the meeting directly) and cause votes to be cast at the relevant meetings. If the total number of Eligible Securities in respect of which any voting instruction is given by a Participant to HKSCC is more than the holding of the Participant as at the last registration day before the relevant book-close or record date concerned, the following will normally apply:
  - (a) if the last registration day before the relevant book-close or record date falls before the stated deadline (as specified in Section 8.6.2), the voting instructions will be rejected. Participants other than Investor Participants should refer to the “Participant Voted Quantity Exception Report – Before Voting Deadline” available between the last registration day before the relevant book-close or record date and one day before the stated deadline (both days inclusive) and, if applicable, shall re-input any voting instructions on or before the stated deadline with reference to their holdings of such Eligible Securities as of the last registration day before the relevant book-close or record date. Exception details of the voting instructions inputted by SSA Statement Recipients in relation to SSA with Statement Service for the account of Participants will also be shown in the “Participant Voted Quantity Exception Report – Before Voting Deadline”; and

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- (b) if the last registration day before the relevant book-close or the record date falls on the stated deadline (as specified in Section 8.6.2), the total number of votes cast in respect of the stated matters or resolutions will be scaled down by reference to the holding of the relevant Eligible Securities of the Participant in CCASS as at the last registration day before the relevant book-close or record date. Participants other than Investor Participants should refer to the “Participant Voted Quantity Exception Report – On Voting Deadline” available after the stated deadline (as specified in Section 8.6.2 above) for scale down information. Exception details of the voting instructions inputted by SSA Statement Recipients in relation to SSA with Statement Service for the account of Participants will also be shown in the “Participant Voted Quantity Exception Report – On Voting Deadline”.
  - (v) Participants other than Investor Participants wishing to nominate a person to attend a meeting must input their instructions in a CCASS Terminal before the stated deadline (as specified in Section 8.6.2 above). The Corporate Representative/Proxy Information Batch File Transfer facility is also available for the input of such instructions. After input of such instructions, the number of Eligible Securities which are the subject of such instructions will be deducted from the holdings (as of the last registration day before the relevant book-close or record date) of the relevant Participants in respect of their input of voting instructions to HKSCC (as described in (iii) above). If such instructions are changed by the Participants before the stated deadline, the number of Eligible Securities deducted from the holdings as of the last registration day before the relevant book-close or record date of the Participants will be adjusted accordingly;
  - (va) SSA Statement Recipients wishing to nominate a person to attend a meeting in relation to the holding in the SSA with Statement Service for the account of Participant must give their instructions via the CCASS Internet System before the stated deadline (as specified in Section 8.6.2 above). If instructions as aforesaid are given by a SSA Statement Recipient for the account of a Clearing Participant or a Custodian Participant, HKSCC will not accept voting instructions (as described in (iii) above) in respect of the holdings of the Eligible Securities in the SSA with Statement Service;
  - (vi) Investor Participants wishing to nominate a person to attend a meeting must give their instructions via the CCASS Internet System, or by completing a prescribed form and submitting it at the Customer Service Centre before the stated deadline (as specified in Section 8.6.2 above). In case of an Individual Investor Participant, instructions may also be given via the CCASS Phone System if the person to attend the meeting is the Individual Participant himself or one of the individuals comprising the Joint Individual Investor Participant. If instructions as aforesaid are given by an Investor Participant, HKSCC will not accept voting instructions (as described in (iv) above) in respect of the Investor Participant’s holdings of the Eligible Securities; and
  - (vii) where appropriate instructions have been received by HKSCC from a Participant and HKSCC has not received further instructions from the Participant to change the original instruction before the stated deadline (as specified in Section 8.6.2 above), HKSCC will complete and submit a proxy form or a letter of appointment of corporate representatives to appoint the Participant or the person nominated by the Participant to attend and vote at the meeting at his/her discretion, as the case may be, unless the Participant specifically inputs instructions to HKSCC to vote in respect of the holding of Eligible Securities to which the proxy form relates by submitting the prescribed form at the Customer Service Centre or via a CCASS Terminal, as the case

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may be, in which case the proxy will have already indicated his/her voting preference. In respect of Uncertificated Securities (where applicable or where the applicable laws, rules or regulations so permit or require), HKSCC will communicate or pass on any voting or other instructions, proxy nominations or appointments or all other authorizations, declarations, requests or information received from Participant to the Overseas Issuer or its authorized agents or representatives including the Issuer's principal or branch share registrar.

#### **8.6.4 Corporate action not subject to book-close period or record date**

- (i) If voting is required in respect of corporate actions or activities which are not subject to a book-close period or there is no record date for determining entitlements, similar procedures as those set out in Section 8.6.3 will normally apply, except that the voting rights of Participants, for administrative convenience, will be determined by reference to the Eligible Securities credited to their Stock Accounts as at the stated deadline (as specified in Section 8.6.2 above). The deadline and other relevant dates may be enquired by Participants other than Investor Participants via the "Enquire Announcement Information" function available through CCASS Terminals. Where a Clearing Participant or a Custodian Participant has authorised its SSA Statement Recipient to give voting instructions in relation to the holdings of Eligible Securities in the SSA with Statement Service for the account of the Participant, the Participant itself shall not exercise the voting rights or give voting instructions in relation to those Eligible Securities.
- (ii) Once a Participant has given voting instructions in respect of any resolution to be voted at the relevant meeting, the Participant should hold, until the conclusion of the meeting (and, if applicable, the holding of any poll), the holdings of Eligible Securities in its Stock Accounts with CCASS in respect of which such voting instructions have been given and no other Participant may give voting instructions to CCASS (in respect of that resolution) in respect of those holdings of Eligible Securities. For the avoidance of doubt, once a SSA Statement Recipient has given voting instructions in respect of any resolution to be voted at the relevant meeting in relation to the holdings of Eligible Securities in a SSA with Statement Service for the account of a Clearing Participant or a Custodian Participant, the Participant should hold, until the conclusion of the meeting (and, if applicable, the holding of any poll), the holdings of Eligible Securities in the SSA with Statement Service in respect of which such voting instructions have been given and no other Participant may give voting instructions to CCASS (in respect of that resolution) in respect of those holdings of Eligible Securities. This applies whether the instructions have been given to CCASS to vote on the Participant's behalf or to nominate a person other than HKSCC or its employees to vote.
- (iii) HKSCC will consolidate all voting instructions (other than voting instructions to be acted upon by the person nominated by the Participant to attend and vote at the meeting directly) from Participants. If the total number of Eligible Securities in respect of which any voting instruction is given by a Participant is more than the subsequent holding of the Participant as at the stated deadline (as specified in Section 8.6.2), it will scale down such votes cast in respect of the stated matters or resolutions by reference to its subsequent holding of Eligible Securities on the stated deadline and cause such scaled down votes to be cast at the relevant meeting, unless the Participant specifically instructs otherwise. Similarly HKSCC may scale down as appropriate by reference to the subsequent holding of Eligible Securities as at the stated deadline in respect of the holding of Eligible Securities represented by the person nominated by the Participant to attend the meeting. Participants other than Investor Participants should refer to the "Participant Voted Quantity Exception

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Report – On Voting Deadline” available after the stated deadline for scale down information. This report will include the exception details of voting instructions input by SSA Statement Recipients.

### **8.6.5 Demand poll request**

For the voting instructions given by Participants in respect of any stated matter or resolution (other than voting instructions to be acted upon by the persons nominated by the Participants to attend and vote at the meeting directly), HKSCC may from time to time receive requests of Participants for HKSCC to make a demand for a poll to be taken in respect of such stated matter or resolution to be voted on at the relevant meeting. In deciding whether to receive demand poll requests of Participants, HKSCC may consider the constitutive documents of the issuer of the Eligible Securities, the proceedings of the relevant meeting, the applicable laws and other relevant matters in the opinion of HKSCC. For the avoidance of doubt, HKSCC will not receive demand poll requests of Participants where the relevant meeting is to be held outside Hong Kong or at a place which in the opinion of HKSCC is not easily accessible. If HKSCC, in respect of any stated matter or resolution to be voted on at the relevant meeting, agrees to receive demand poll requests from Participants that gives voting instructions to HKSCC, the following procedures will normally apply:

- (i) for each instruction to vote in respect of a stated matter or resolution given by a Participant in accordance with Section 8.6.3 or Section 8.6.4 (other than voting instructions to be acted upon by the person nominated by the Participant to attend and vote at the meeting directly), the Participant may, if it wishes that votes in respect of that stated matter or resolution be taken by poll at the relevant meeting, request HKSCC to demand that a poll be taken in respect of that stated matter or resolution put to the vote of members at the relevant meeting. Each such demand poll request must be made simultaneously with the voting instruction to which it relates and shall be adjusted, where required, simultaneously with changes made to such voting instruction by the relevant Participant. Participants may change their demand poll requests at any time before the stated deadline and SSA Statement Recipients may change their demand poll request for the account of Participants at any time before the stated deadline;
- (ii) Participants other than Investor Participants wishing to give demand poll requests as aforesaid should input such requests through its CCASS Terminal. SSA Statement Recipients wishing to give demand poll requests as aforesaid for the account of Participants should make such requests via the CCASS Phone or the CCASS Internet System. Investor Participants wishing to give demand poll requests as aforesaid should make such requests via the CCASS Phone System or the CCASS Internet System, or at the Customer Service Centre;
- (iii) HKSCC will consolidate requests for demand poll in respect of each voting instruction for a stated matter or resolution (other than voting instructions to be acted upon by the persons nominated by the Participant to attend and vote at the meeting directly) duly given by Participants which would cause a vote to be cast at the relevant meeting by HKSCC. Based on the consolidated demand poll requests of Participants, HKSCC may demand that a poll be taken at the relevant meeting in respect of the stated matter or resolution put to the vote of members at the relevant meeting if HKSCC finds it appropriate to do so;
- (iv) where the voting instruction of a Participant is scaled down as appropriate by reference to its subsequent holding of Eligible Securities as at the stated deadline (as specified in Section 8.6.2) in accordance with Section 8.6.4, HKSCC will also scale down the demand poll requests made with reference to that voting instruction as

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appropriate. Such demand poll requests will be scaled down in the same manner as the scaling down of voting instructions in Section 8.6.4 by reference to the subsequent holding of Eligible Securities by the Participant as at the stated deadline;

- (v) in determining whether HKSCC will make a demand for a poll to be taken at the relevant meeting based on the consolidated demand poll requests of Participants, HKSCC will refer to the constitutive documents of the issuer of the Eligible Securities, the proceedings of the relevant meeting and applicable laws. For the avoidance of doubt, HKSCC has absolute discretion to determine as to whether to act upon the demand poll requests of Participants to make a demand at the relevant meeting;
- (vi) HKSCC may only demand a poll on the number of Eligible Securities (other than the shares to be acted upon by the person nominated by the Participant to attend and vote at the meeting directly) having caused votes to be cast at the relevant meeting.
- (vii) a demand for a poll, if made by HKSCC, shall normally be made with reference to the holdings of Eligible Securities in CCASS of such requesting Participants in respect of which related voting instructions have been given (other than those holdings subject to voting instructions which are to be acted upon by the person nominated by the Participant to attend and vote at the meeting directly);
- (viii) in all cases where HKSCC demands or makes a demand for a poll under (vi) above, the demand shall be made in such manner and by such person or persons at the relevant meeting as HKSCC may consider appropriate. Such a demand shall be subject to and governed by the constitutive documents of the issuers of the Eligible Securities, the relevant proceedings of meeting, the applicable laws, and the applicable rulings and directions of the Chairman of the relevant meeting, and it may not be successful. For the avoidance of doubt, HKSCC does not guarantee that a poll would be taken in respect of the stated matter or resolution at the relevant meeting following such a demand; and
- (ix) Participants other than Investor Participants may enquire whether it may input demand poll request in respect of a specific stated matter or resolution in the notice of meeting via the “Enquire Resolution Description” function available through CCASS Terminals, and Investor Participants and relevant SSA Statement Recipients may enquire the same through the CCASS Internet System.

#### **8.6.6 Voting by show of hands or by way of a poll**

- (i) In general, in relation to voting at meetings by way of a show of hands, HKSCC will normally, based on the consolidated voting instructions of Participants (other than voting instructions to be acted upon by the person nominated by the Participant to attend and vote at the meeting directly), cast a vote either in favour of a proposal or against it. In other words, if the number of Eligible Securities "voted" by Participants in favour of a proposal is more than the number of Eligible Securities "voted" by Participants against a proposal, HKSCC will cause a vote to be cast in favour and vice versa.
- (ii) In relation to voting at meetings by way of a poll, in accordance with the instructions of Participants (other than voting instructions to be acted upon by the person nominated by the Participant to attend and vote at the meeting directly), HKSCC will normally cause the relevant number of Eligible Securities to be voted for and/or against a proposal and/or voted as abstain/withhold (if applicable).



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- (iii) The voting rights of the person nominated by a Participant on a show of hands or on a poll at a meeting will be governed by the constitutive documents of the issuer of the Eligible Securities, the proceedings of the relevant meeting and applicable laws. Likewise, the right of the person nominated by the Participant to demand a poll at a meeting will be governed by the constitutive documents of the issuer of the Eligible Securities, the proceedings of the relevant meeting and applicable laws.

#### **8.6.7 Others**

- (i) On a case by case basis, HKSCC may but is not obliged to entertain special requests from Participants wishing to deviate from the normal procedures.
- (ii)
  - (a) Corporate voting activities by Investor Participants will be included in the activity statements of such Participants and such activity statements are available to Investor Participants via the CCASS Internet System. The activity statements will also be sent to Investor Participants who have elected to receive the activity statements by mail.
  - (b) Corporate voting activities by SSA Statement Recipients in relation to SSA with Statement Service for the accounts of Clearing Participants or Custodian Participants will be included in the Stock Segregated Account Activity Statement and such activity statements are available to the SSA Statement Recipients via the CCASS Internet System. The activity statements will also be sent to SSA Statement Recipients who have elected to receive the activity statements by mail.
- (iii) The provisions of this Section 8.6 shall also be applicable, mutadis mutandis, to meetings of holders of Specified Instruments, meetings of holders of Structured Products and meetings of holders of CMU Instruments.

#### **8.6.8 Shareholding Category Disclosure in respect of China Connect Securities**

HKSCC will from time to time specify in the CCASS Terminal User Guide for Participants such Shareholding Category Disclosure as may be required from Participants other than Investor Participants. Participants other than Investor Participants shall make such Shareholding Category Disclosure using the “Shareholding Category Disclosure Maintenance” function of their CCASS Terminal by such deadline as may be specified by HKSCC. Participants may change their disclosure instructions at any time before such stated deadline using the same function. HKSCC will consolidate all the disclosure information from Participants and submit them to the relevant issuer or its authorized agents or representatives. Where a Participant fails to make the relevant Shareholding Category Disclosure as required by HKSCC, HKSCC shall have the authority to apply such categorization or parameter as HKSCC may consider appropriate to voting instructions submitted by the Participant.

Participants should refer to the “Participant Shareholding Category Disclosure Activity Report” which is available within the voting period as stipulated in the relevant voting announcement in CCASS. Details of invalid disclosure instructions will be shown in the “Participant Shareholding Category Disclosure Exception Report - Before Voting Deadline” which is available one day before the voting deadline date. Participants should check the invalid disclosure instructions included in this report and make any necessary amendments before the relevant voting deadline. The “Participant Shareholding Category Disclosure Exception Report- On Voting Deadline” is available after 4:15 p.m. on the voting deadline date specified in CCASS.

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Further information on Shareholding Category Disclosure is set out in the CCASS Terminal User Guide for Participants.

## **8.7 CASH DIVIDEND ENTITLEMENTS**

### **8.7.1 Determination of entitlements**

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

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

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

Without prejudice to the above, to the extent required by the Tax Information Exchange Framework, HKSCC shall be entitled to deduct or withhold Withholding Tax (whether withheld by HKSCC or any other parties) from any payment of dividend entitlement (or payment of any other income) received by HKSCC on or accruing to Eligible Securities to a Participant (or from any other payment made by HKSCC to a Participant) and shall have no obligation to gross-up any such payment or to pay any additional amount as a result of such Withholding Tax.

### **8.7.2 Procedures: dividends in an Eligible Currency**

For dividend payments in an Eligible Currency, the following procedures will usually apply:

- (i) on the relevant date on which entitlements of Participants are determined by HKSCC, dividend entitlements will be recorded as receivable items in the Entitlement Statements of the relevant Participants other than Investor Participants;
- (ii) upon receipt of payment, if payment is received by HKSCC at or before 3:45 p.m. on a Business Day, HKSCC will usually cause payments to be credited to the Money Ledgers of the relevant Participants on the same day. Otherwise, HKSCC will credit the payments on the following Business Day. Participants other than Investor Participants will be informed when payment is received by HKSCC, via the Broadcast Message Service, available through CCASS Terminals and Participant Gateways; and
- (iii) upon dividend entitlements being made available by HKSCC to Participants, the Entitlement Statements of the relevant Participants other than Investor Participants or activity statements for Investor Participants will be updated with the dividend payments.

Participants must ensure that they maintain a Designated Bank Account in the relevant Eligible Currency for payment to them of dividend entitlements in that Eligible Currency. Failure to observe this requirement will result in late receipt of the entitlements by the

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Participants. In such event, HKSCC shall not be liable to the Participants for any interest on those entitlements.

### **8.7.3 Procedures: dividends in Non-Eligible Currencies**

For dividend payments in currencies other than Eligible Currencies, HKSCC may in its absolute discretion allow Participants to elect to receive such dividend payments in Hong Kong dollars. The procedures for the election and distribution of such dividend payments will be similar to the procedures described in section 8.9.3. If such election is not available, the following procedures will usually apply :

- (i) on the relevant date on which entitlements of Participants are determined by HKSCC, dividend entitlements will be reflected as receivable items in the Entitlement Statements of the Participants other than Investor Participants concerned;
- (ii) upon receipt of payment by HKSCC, HKSCC will as soon as practicable arrange for payments to be made to relevant Participants either by bank draft, cheque or telegraphic transfer (the related charges relating to bank drafts or telegraphic transfer payment to be borne by the Participants pro-rata to the dividend amount each will receive, or in such other manner as HKSCC considers fair and appropriate). Participants other than Investor Participants will be informed when payment is received by HKSCC, and when cheques or bank drafts are available for collection by such Participants in respect of such payment via the Broadcast Message Service available through CCASS Terminals and Participant Gateways. Investor Participants will be informed when cheques or bank drafts are available for collection by Investor Participants in respect of such payment in their activity statements; and
- (iii) upon dividend entitlements being made available by HKSCC to Participants, the Entitlement Statements of the relevant Participants other than Investor Participants or activity statements for Investor Participants will be updated accordingly.

Where dividend entitlements are made available by HKSCC to Participants, the failure of the Participant to promptly arrange for the collection of any such dividend entitlements shall not render HKSCC liable to such a Participant for any interest that may have accrued thereon.

### **8.7.4 Procedures: Units**

The foregoing provisions of this Section 8.7 apply to distributions of income in respect of Units as if the references in those provisions to dividends were references to such distributions.

## **8.8 BONUS ISSUES OF SECURITIES**

### **8.8.1 General**

From time to time, bonus issues of securities will be made by issuers of Eligible Securities. These may include scrip entitlements, bonus issue of shares or warrants, distributions in specie in the form of securities etc.

The procedures to be adopted by HKSCC in relation to the provision of nominee services to Participants, if any, may differ slightly, depending on whether or not the bonus securities in question constitute Eligible Securities (or will be accepted as Eligible Securities by HKSCC).

### **8.8.2 Determination of entitlements**

A Participant's entitlement to such bonus securities will normally be determined by reference to the relevant Eligible Securities credited to its Stock Account in CCASS as at

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the date on which the entitlement of HKSCC or the Nominee is determined (normally the last day on which transfers can be submitted for registration in order to qualify for such bonus securities).

### 8.8.3 Procedures

The following procedures will usually apply:

- (i) on the relevant date on which entitlements of Participants are determined by HKSCC, bonus entitlements of securities will be recorded as receivable items in the Entitlement Statements of the relevant Participants other than Investor Participants;
- (ii) in the case of Eligible Securities other than China Connect Securities, upon receipt of bonus securities, if those bonus securities are received by HKSCC at or before 5:00 p.m. on a Business Day or 12:00 noon on a Saturday, HKSCC will usually cause such bonus securities to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2. Otherwise, HKSCC will credit the bonus securities on the following Business Day (Saturday being treated as a Business Day for this purpose, unless it is a public holiday). Participants other than Investor Participants will be informed when bonus securities are received by HKSCC via the Broadcast Message Service;
- (iia) in the case of China Connect Securities, HKSCC will cause such bonus securities to be credited to the relevant Participants' Stock Accounts upon receipt of confirmation from the China Connect Clearing House that the new bonus securities have been unconditionally credited to HKSCC's account with that China Connect Clearing House provided that if the bonus securities are not securities listed on the relevant China Connect Market and HKSCC has an option to elect to receive the entitlement in cash or bonus securities, HKSCC will elect to receive the entitlement in cash and distribute the proceeds to Participants. Participants will not have the right to elect to receive the entitlement in bonus securities under such circumstances;
- (iii) upon distribution or crediting of bonus securities which are or will be accepted as Eligible Securities by HKSCC to them, Entitlement Statements of the relevant Participants other than Investor Participants or activity statements for Investor Participants will be updated;
- (iv) in relation to bonus securities which are not Eligible Securities or in respect of which no disposal arrangement as referred to in paragraph (v) of this Section 8.8.3 has been made by HKSCC, the Participants concerned are required to withdraw such bonus securities from the CCASS Depository on or before the deadline specified by HKSCC. Upon withdrawal by the relevant Participants, their relevant Stock Accounts will be updated. If such securities are not withdrawn by the deadline specified by HKSCC, HKSCC may arrange for such securities to be delivered to the relevant Participants at their cost. HKSCC shall bear no responsibility for any loss or damages arising from the loss or destruction of such securities during the delivery thereof; and
- (v) in relation to bonus securities which are distributed by reference to holdings in China Connect Securities without any cash election option and which are not listed on the relevant China Connect Market, HKSCC may, but is not obliged to, make such arrangement with the relevant China Connect Clearing House or issuer regarding the disposal of such bonus securities for Participants as HKSCC may consider appropriate. Any charges arising from the disposal arrangement will be deducted from the proceeds and any such arrangement undertaken by HKSCC shall be binding on all relevant Participants. HKSCC shall not be liable to Participants for anything

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done or omitted to be done by it in connection with any such arrangement.

#### **8.8.4 Fractional entitlements**

Fractional entitlements to bonus securities of Participants will be dealt with in accordance with Section 8.21.

#### **8.8.5 Scripless entitlements and other non-Eligible Securities entitlements**

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

Participants that do not wish to exercise their scripless or non-Eligible Securities entitlements accruing to Foreign Securities such as warrants, bonds and/or other securities may instruct HKSCC to sell such entitlements. Upon receipt of written instructions by HKSCC on or before the deadline stipulated by HKSCC, HKSCC may on behalf of the Participants instruct agents to assist HKSCC to dispose of the relevant entitlements on or off market. HKSCC shall make only one attempt to dispose of the relevant entitlements, and normally on the first trading day of the relevant entitlements, at what it determines to be the prevailing market price and terms available. HKSCC shall incur no liability if it acts in good faith relating to the disposal. Upon receipt of the net proceeds by HKSCC, HKSCC will as soon as practicable arrange for payments to be made to the relevant Participants following deduction of any amounts due by the Participants to HKSCC including any transaction costs and charges. If the disposal of the entitlements is unsuccessful, HKSCC may in its absolute discretion provide nominee services to Participants relating to the entitlements and the handling procedures will normally be in accordance with Section 8.13 for conversion of warrants and Section 8.16 for conversion of bonds, as the case may be.

### **8.9 DIVIDEND ENTITLEMENTS WITH OPTIONS**

#### **8.9.1 General**

From time to time, issuers of Eligible Securities may declare dividends with an option to receive dividends in different currencies (i.e. dividend entitlements with currency option) or to receive scrip entitlements (i.e. securities) in lieu of dividend payments (i.e. dividend entitlements with scrip option).

The exact procedures to be adopted by HKSCC in relation to nominee services offered will depend on the exact circumstances in each case and Participants will be informed accordingly. For instance, the procedures to be adopted by HKSCC will vary slightly depending on whether the election of option has to be done before the relevant book-close or record dates.

#### **8.9.2 Determination of entitlements**

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

#### **8.9.3 Procedures**

The following procedures will usually apply:

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- (i) the relevant announcements will be contained in the "Enquire Announcement Information" function via CCASS Terminals and also in the i) Corporate Announcement Master Data File; ii) Corporate Announcement Maintenance Activities Report; and iii) "Book-Close Reminder" section of the Entitlement Statement of Participants other than Investor Participants following the announcements. In the case of Investor Participants, the relevant announcements will be contained in the "Enquire Corporate Activities" and "Corporate Action Reminder" functions in the CCASS Internet System and also posted under the "Reminder" section in the activity statements of such Participants;
  - (ii) if, in any given case, the election of option is required to be made on or before the relevant book-close or record date, HKSCC will generate an option election instruction advice through CCASS Terminals and via the CCASS Phone System and the CCASS Internet System following the relevant announcement to all Participants irrespective of whether or not they have holdings in the relevant Eligible Security at the time and, in the case of Investor Participants, irrespective of whether the Investor Participants have given standing option election instructions to HKSCC in accordance with Section 8.9.4(i);
  - (iii) if the election of option is required to be made after the relevant book-close or record date, HKSCC will only generate an option election instruction advice through CCASS Terminals and via the CCASS Phone System and the CCASS Internet System to Participants with holdings in the relevant Eligible Security immediately after the book-close or record date including the Investor Participants with holdings that have given standing option election instructions to HKSCC in accordance with Section 8.9.4(i);
  - (iv) normally, the time-limit for the receipt of option election instructions by HKSCC from Participants via CCASS Terminals and via the CCASS Phone System and the CCASS Internet System will be before 12:00 noon on the day of the deadline for election imposed by the Issuers of the relevant Eligible Securities. Participants may change their option election instructions any time before such time-limit;
  - (v) in the absence of specific instructions as to their election, Participants will be treated, subject to Section 8.9.4(ii) where it is applicable, as having chosen the "default" option specified by the issuers of the relevant Eligible Securities except where such "default" option specified by the issuer is a non-cash entitlement, in which case HKSCC shall elect the cash option or the Eligible Currency alternative, as the case may be, for such Participants. (If no "default" option is specified by the issuers of the relevant Eligible Securities, the option shall be that selected by HKSCC for such Participants);
  - (vi) Participants should only input instructions in respect of Eligible Securities which they will maintain in their Stock Accounts until the relevant book-close or record date. If instructions are given in respect of more than their holdings of Eligible Securities as at the last registration day before the relevant book-close or record date, HKSCC will scale down the instructions given by Participants in proportion to the Participants' actual holdings, or in such manner as appropriate, unless the Participant specifically instructs HKSCC otherwise; and
  - (vii) upon receipt of entitlements by HKSCC, the procedures for distribution to Participants will be the same as those described in Sections 8.7 and 8.8. Option election activities by Investor Participants will be posted to the activity statements of such Participants.

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#### **8.9.4 Investor Participants' standing instructions to receive scrip entitlements in lieu of cash dividend**

- (i) Investor Participants may give standing option election instructions to HKSCC requesting HKSCC to elect to receive scrip entitlements in lieu of dividend payments in respect of all future dividend entitlements with scrip option for election. The standing option election instructions may relate to all or any of the Eligible Securities. They shall be given by the Investor Participants by completing and signing a prescribed form and submitting the prescribed form to the Customer Service Centre for processing by HKSCC. Acceptance and maintenance of such standing option election instructions by HKSCC will be at the discretion of HKSCC and subject to the requirements as HKSCC may from time to time specify.
- (ii) Investor Participants whose standing option election instructions have been accepted by and maintained with HKSCC may still input specific option election instructions in respect of any dividend entitlement with scrip option for election in accordance with Section 8.9.3. Such specific option election instructions will be treated and processed by HKSCC as the election of the Investor Participants for that particular dividend entitlement with scrip option in place of the standing option election instructions. For the avoidance of doubt, in the absence of such specific option election instructions by the Investor Participants, the standing option election instructions accepted by and maintained with HKSCC will be the election of the Investor Participants for that particular dividend entitlement with scrip option.
- (iii) Investor Participants may cancel their standing option election instructions by completing and signing a prescribed form and submitting the prescribed form to the Customer Service Centre for processing by HKSCC. Acceptance of such cancellation of standing option election instructions by HKSCC will be at the discretion of HKSCC and subject to the requirements as HKSCC may from time to time specify.

#### **8.9.5 Fractional entitlements**

Any fractional stock dividend entitlements of Participants will be dealt with in accordance with Section 8.21.

### **8.10 RIGHTS ISSUES BY ISSUERS OF ELIGIBLE SECURITIES (OTHER THAN CHINA CONNECT SECURITIES AND OTHER SCRIPLESS SECURITIES)**

#### **8.10.1 General**

Implementation of rights issues by issuers of Eligible Securities may involve several different stages including the initial announcements, approval by holders of Eligible Securities (if necessary), etc. This Section is only concerned with the following aspects of a rights issue by an issuer of Eligible Securities other than China Connect Securities and other scripless securities:

- (i) the collection and distribution of nil paid rights which may be represented by provisional allotment letters (PALs);
- (ii) the subscription of "rights shares" and applications for "excess shares"; and
- (iii) the subsequent collection and distribution of the "new shares".

The term "rights shares" refers to the new shares which may be subscribed pursuant to pro-rata entitlements of the holders on record of Eligible Securities under a rights issue. The term "excess shares" refer to new shares applied for under a rights issue which is in excess of the pro-rata entitlement of a holder on record of Eligible Securities.

**8.10.2 Determination of entitlements**

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

**8.10.3 Provisional allotment letters relating to nil paid rights treated as Eligible Securities**

Provisional allotment letters relating to nil paid rights will be accepted by HKSCC as Eligible Securities and Exchange Trades in such Eligible Securities effected by Participants will be settled under the CNS System in CCASS throughout the life cycle of their trading.

**8.10.4 Procedures**

The following procedures will usually apply :

- (i) on the relevant date on which entitlements of Participants are determined by HKSCC, the nil paid rights will be recorded as receivable items in the "Benefit Entitlement" section of the Entitlement Statements of the Participants other than Investor Participants concerned;
- (ii) upon receipt of nil paid rights, if they are received by HKSCC at or before 5:00 p.m. on a Business Day or 12:00 noon on a Saturday, HKSCC will usually cause such nil paid rights to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2. Otherwise, HKSCC will credit the nil paid rights on the following Business Day (Saturday being treated as a Business Day for this purpose, unless it is a public holiday). Participants other than Investor Participants will be informed when nil paid rights are received by HKSCC via the Broadcast Message Service. Investor Participants concerned will be informed of distribution of nil paid rights by HKSCC via their activity statements;
- (iii) shortly after the announcements of the relevant corporate actions or activities, HKSCC will generate two "Corporate Announcements" via CCASS Terminals and the CCASS Phone System and the CCASS Internet System under which the relevant Participants subscribe for rights shares and/or excess rights shares through HKSCC. Unless the offer document specifically provides otherwise, only Participants that are entitled to or to whom provisional allotment letters relating to nil paid rights have been issued may apply for excess shares;
- (iv) Participants other than Investor Participants wishing to subscribe for rights shares through HKSCC, in respect of nil paid rights credited to its Stock Account, must input their subscription instructions via their CCASS Terminals to HKSCC. Investor Participants wishing to subscribe for rights shares through HKSCC must give such instructions via the CCASS Phone System or the CCASS Internet System, or at the Customer Service Centre. Normally, the time-limit for input of the completed electronic instruction to HKSCC will be before 11:00 a.m. on the day of the deadline for subscription of securities imposed by the Issuers of the relevant Eligible Securities. Subscription instructions of Investor Participants received by HKSCC after 7:00 p.m. on a Business Day and before 7:00 a.m. on next Business Day will only be processed after 7:00 a.m. on that next Business Day. Participants may cancel their subscription instructions any time before such time-limit;

In respect of subscription instructions received and processed by HKSCC on any Business Day before the day of the deadline, debit entries will be posted to the Participants' Money Ledgers for the appropriate subscription money or in the case of Foreign Securities, the Hong Kong Dollar equivalent of such subscription money at



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the exchange rate determined by HKSCC, which will be automatically charged to the Participants' Designated Bank Accounts on the same Business Day via DDIs. Any surplus subscription money debited will be refunded to the relevant Participants on the following Business Day. In appropriate cases, HKSCC may entertain requests from Participants to accept subscription money in the currency as announced by the Issuer of the rights shares.

In respect of subscription instructions received by HKSCC before the specified time (normally, 11:00 a.m.) on the day of the deadline, HKSCC will upon acceptance and processing of the instructions, generate CPIs to be issued to the Designated Banks of the paying Participants. Appropriate subscription money will be collected from the Participants' Designated Bank Accounts immediately. No DDIs will be generated. Participants shall maintain sufficient funds in their Designated Bank Accounts to enable HKSCC to effect such subscription instructions. Failure to place HKSCC in funds by 1:00 p.m. may result in HKSCC not giving effect to such instructions;

- (v) instructions to apply for excess shares should be given separately under the relevant corporate announcement by Investor Participants via the CCASS Phone System or the CCASS Internet System, or at the Customer Service Centre and input by Participants other than Investor Participants via their CCASS Terminals. Unless the offer document specifically provides otherwise, only Participants that are entitled to or to whom nil paid rights have been issued may apply for excess shares. An Investor Participant is not entitled to give more than one instruction to HKSCC to apply for excess shares in respect of any one rights issue event. Separate debit entries for the appropriate subscription money will be posted to the Participants' Money Ledgers and will be automatically charged to the Participants' Designated Bank Accounts;
- (vi) upon capture of the subscription instructions from the Participants concerned to subscribe for rights shares and (if applicable) to apply for excess shares, HKSCC will debit the nil paid rights from the Stock Accounts of the Participants on the same day, and the rights shares and the excess shares (if any) applied for will be recorded as separate receivable items in the "Right Subscription" section of the Entitlement Statements of those Participants. In the case of Investor Participants, such subscription activities will be included in the activity statements;
- (vii) in accordance with the instructions of Participants, HKSCC will subscribe for the rights and apply for the excess shares (if applicable). This will be treated as a single application by HKSCC (this being relevant as the allocation of excess shares to HKSCC may be affected);
- (viii) upon receipt of rights shares (the rights shares will normally be accepted as Eligible Securities by HKSCC), if the rights are received by HKSCC at or before 5:00 p.m. on a Business Day or 12:00 noon on a Saturday, HKSCC will usually cause such rights shares to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2. Otherwise, HKSCC will credit the rights shares on the following Business Day (Saturday being treated as a Business Day for this purpose, unless it is a public holiday). Participants other than Investor Participants will be informed when rights shares are received by HKSCC, via the Broadcast Message Service;
- (ix) in respect of excess shares received by HKSCC, unless all the excess shares applied for at the request of Participants are allotted to HKSCC (in which case the Participants concerned will receive in full what they have applied for), excess shares will be allocated to the relevant Participants pro-rata to the number of excess shares each has applied for, or in such other manner as HKSCC considers fair and

appropriate. Excess shares will be distributed to the relevant Participants in the same manner as rights shares. Surplus subscription monies in Hong Kong Dollars refunded to HKSCC in respect of applications for excess shares, if received by HKSCC at or before 3:45 p.m. on a Business Day, will be returned to the relevant Participants by HKSCC by credit entries to their Money Ledgers on the same day. Otherwise, HKSCC will effect the return of surplus subscription monies on the following Business Day. In the case of Foreign Securities, surplus subscription monies in respect of applications for excess shares will be refunded to Participants in the same currency that the subscription monies have been paid for. The refund procedures will follow those described in Section 8.7.3;

- (x) upon the distribution of rights shares and (if applicable) excess shares by HKSCC to them, (and any refund of surplus subscription monies for excess shares), the relevant Investor Participants' activity statements and the relevant Participants' other than Investor Participants Entitlement Statements will be updated accordingly;
- (xi) Participants will be able to withdraw their PALs at any time up to one week after the last subscription date (unless otherwise informed by HKSCC) from the CCASS Depository; and
- (xii) in the case of rights issues accruing to Foreign Securities, Participants that do not wish to subscribe for rights shares may instruct HKSCC to sell such entitlements. Upon receipt of written instructions by HKSCC on or before the deadline stipulated by HKSCC, HKSCC may on behalf of the Participants instruct agents to assist HKSCC to dispose of the relevant entitlements on or off market. HKSCC shall make only one attempt to dispose of the relevant entitlements, and normally on the first trading day of the relevant entitlements, at what it determines to be the prevailing market price and terms available. HKSCC shall incur no liability if it acts in good faith relating to the disposal. Upon receipt of the net proceeds by HKSCC, HKSCC will as soon as practicable arrange for payments to be made to the relevant Participants following deduction of any amounts due by the Participants to HKSCC including any transaction costs and charges. If the disposal of the entitlements is unsuccessful, HKSCC will inform the relevant Participants and shall not be obliged to take any further action in respect of the entitlements.

#### **8.10.5 Fractional entitlements**

Fractional securities entitlements of Participants will be dealt with in accordance with Section 8.21.

### **8.10A RIGHTS ISSUES RELATING TO CHINA CONNECT SECURITIES, OTHER SCRIPLESS SECURITIES AND NON-ELIGIBLE SECURITIES**

#### **8.10A.1 General**

From time to time, rights issues may be made by issuers of China Connect Securities, other scripless securities and non-Eligible Securities to holders of such securities to subscribe for new shares. Sections 8.10A.2 and 8.10A.3 are concerned with rights issues by issuers of China Connect Securities to Participants holding such China Connect Securities through HKSCC and Section 8.10A.4 is concerned with rights issues by issuers of other scripless securities or non-Eligible Securities.

#### **8.10A.2 Determination of entitlements**

A Participant's entitlement to subscribe for new shares under a rights issue by an issuer of China Connect Securities will normally be determined by reference to the relevant China Connect Securities credited to its Stock Account as at the date on which the entitlement of HKSCC is to be determined.

### 8.10A.3 Procedures

The following procedures will usually apply to a rights issue in respect of China Connect Securities:

- (i) on the relevant date on which entitlements of Participants are determined by HKSCC, the quantity of rights that the relevant Participants are entitled to subscribe under the rights issue will be recorded as a receivable item in the “Benefit Entitlement” section of their respective Entitlement Statements;
- (ii) if the rights entitlements are unconditionally credited to HKSCC’s stock account maintained with the relevant China Connect Clearing House at or before 7:00 p.m. on a Mainland Business Day in the case of the SSE Market or at or before 8:00 p.m. in the case of the SZSE Market, HKSCC will usually cause such entitlements to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2.2. Otherwise, HKSCC will credit the entitlements on the following Mainland Business Day;
- (iii) Participants other than Investor Participants wishing to subscribe for new shares under the rights issue through HKSCC must input their subscription instructions via their CCASS Terminals to HKSCC. In general, no excess applications will be available. The deadline for giving subscription instructions to HKSCC is normally 7:45 p.m. on the Mainland Business Day immediately preceding the deadline date imposed by the issuer. Upon acceptance and processing by HKSCC of the relevant instructions input by Participants other than Investor Participants, debit entries for the appropriate subscription money will be posted to the Participants’ Money Ledgers and will be automatically charged to the Participants’ Designated Bank Accounts on the same Mainland Business Day via DDIs. Participants may cancel their subscription instructions any time before such time limit;
- (iv) upon capture of the subscription instructions from the Participants concerned to subscribe for new shares under the rights issue, HKSCC will debit the rights from the Stock Accounts of the Participants on the same day, and the new shares under the rights issue applied for will be recorded as separate receivable items in the “Rights Subscription” section of the Entitlement Statements of those Participants;
- (v) in accordance with the instructions of Participants, HKSCC will subscribe for new shares under the rights issue;
- (vi) if confirmation from the China Connect Clearing House that the rights shares have been unconditionally credited to HKSCC’s stock account maintained with that China Connect Clearing House is received by HKSCC at or before 7:00 p.m. on a Mainland Business Day in the case of the SSE Market or at or before 8:00 p.m. in the case of the SZSE Market, HKSCC will usually cause such rights shares to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2.2. Otherwise, HKSCC will credit the entitlements on the following Mainland Business Day; and
- (vii) upon crediting of the rights shares by HKSCC to Participants’ Stock Accounts, the Entitlement Statements of the relevant Participants will be updated accordingly.

### 8.10A.4 Other scripless securities and non-Eligible Securities

Where any subscription under a rights issue involves scripless securities (other than China Connect Securities) or non-Eligible Securities, such rights issue will be dealt with by HKSCC in the same way as described in Section 8.8.5 for scripless entitlements and other

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non-Eligible Securities entitlements where applicable.

## **8.11 OPEN OFFERS RELATING TO ELIGIBLE SECURITIES OTHER THAN CHINA CONNECT SECURITIES**

### **8.11.1 General**

An open offer is an offer to existing holders of securities to subscribe for further securities. An open offer is similar to a rights issue in that it is usually also made to the holders of securities on a pro-rata basis (although this is not necessarily the case). The difference, however, is that, unlike a rights issue, no renounceable document of title (eg. PALs) will be issued and, therefore, no trading in respect thereof can be effected.

An open offer may be combined with a placing and the net result is what is called a "placing with a clawback" (in other words, a placing of securities with stated investors, but subject to the right of existing holders of such securities to subscribe for the securities being placed, based on their pro-rata entitlements).

There are many variations to open offers and open offers may involve several different stages, including the initial announcement and approval by existing holders of securities (if necessary). This Section is only concerned with the subscription by Participants of "new shares" under open offers relating to Eligible Securities other than China Connect Securities and the distribution of new shares under such open offers to Participants.

### **8.11.2 Determination of entitlements**

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

### **8.11.3 Procedures**

The following procedures will usually apply :

- (i) on the relevant date on which entitlements of Participants are determined by HKSCC, the new shares for which the Participants other than Investor Participants concerned having a right to subscribe under an open offer will be recorded as receivable items in the "Benefit Entitlement" section of their respective Entitlement Statements;
- (ii) for Participants other than Investor Participants, the relevant announcement (stating the relevant time-limit) will be contained in the "Enquire Announcement Information" function via CCASS Terminals and also in the i) Corporate Announcement Master Data File; ii) Corporate Announcement Maintenance Activities Report; and iii) "Book-Close Reminder" section of the Entitlement Statement following the announcement. For Investor Participants, the relevant announcement (stating the relevant time-limit) will be available in the CCASS Phone System and the CCASS Internet System and also posted in the "Reminder" section in the activity statement following the announcement;
- (iii) Participants other than Investor Participants wishing to subscribe for new shares under open offers through HKSCC must input the subscription instructions via their CCASS Terminals to HKSCC normally, by 7:00 p.m. one Business Day before the last day for subscription under an open offer. Upon acceptance and processing by HKSCC of the relevant instructions input by Participants other than Investor Participants, debit entries for the appropriate subscription money will be posted to the Participants' Money Ledgers and will be automatically charged to the Participants'

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Designated Bank Accounts on the same Business Day via DDIs. Participants may cancel their subscription instructions any time before such time-limit.

Investor Participants wishing to subscribe for new shares under open offers through HKSCC must input the subscription instructions via the CCASS Phone System or the CCASS Internet System, or at the Customer Service Centre. The time limit for giving such subscription instructions to HKSCC is normally by 11:00 a.m. one Business Day before the last day for subscription under an open offer. Investor Participants may cancel their subscription instructions any time before such time limit. Subscription instructions of Investor Participants received by HKSCC after 7:00 p.m. on a Business Day and before 7:00 a.m. on next Business Day will only be processed after 7:00 a.m. on that next Business Day. In respect of subscription instructions of Investor Participants that are accepted and processed by HKSCC at least two Business Days before the last day for subscription, debit entries for the appropriate subscription money will be posted to the Participants' Money Ledgers and will be automatically charged to the Participants' Designated Bank Accounts on the same Business Day via DDIs. In respect of subscription instructions of Investor Participants received by HKSCC before the specified time (normally, 11:00 a.m.) one Business Day before the last day for subscription, HKSCC will upon acceptance and processing of the instructions, generate CPIs to be issued to the Designated Banks of the Investor Participants. Appropriate subscription money will be collected from the Investor Participants' Designated Bank Accounts immediately. No DDIs will be generated. Participants shall maintain sufficient funds in their Designated Bank Accounts to enable HKSCC to effect such subscription instructions. Failure to place HKSCC in funds by 1:00 p.m. may result in HKSCC not giving effect to such instructions;

- (iv) upon capture of the subscription instructions from the Participants concerned to subscribe for new shares, the new shares applied for will be recorded as separate receivable items in the "Open Offer" section of the Entitlement Statements of those Participants who are not Investor Participants. Subscription activities of Investor Participants will be posted to the activities section of the activity statements;
- (v) based on the instructions of Participants, HKSCC will subscribe for new shares under an open offer. In the case of Investor Participants, only one excess application instruction will be accepted by HKSCC from each Investor Participant;
- (vi) upon receipt of new shares under an open offer by HKSCC (such shares will normally be accepted as Eligible Securities by HKSCC), if the new shares are received by HKSCC at or before 5:00 p.m. on a Business Day or 12:00 noon on a Saturday, HKSCC will usually cause such shares to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2. Otherwise, HKSCC will credit the new shares under an open offer on the following Business Day (Saturday being treated as a Business Day for this purpose, unless it is a public holiday). Participants other than Investor Participants will be informed when new shares subscribed for under an open offer are received by HKSCC via the Broadcast Message Service. In the case of new shares involving Foreign Securities, HKSCC will cause such shares to be credited to the relevant Participants' Stock Accounts upon receipt of confirmation from the Appointed Depositary that the new shares have been credited to HKSCC's account with that Appointed Depositary; and
- (vii) upon crediting of the new shares by HKSCC to Participants' Stock Accounts, the relevant Investor Participants' activity statements and the Entitlement Statements of the relevant Participants other than Investor Participants will be updated accordingly.

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**8.11.4 New shares under an open offer are scripless or non-Eligible Securities**

If the new shares subscribed under an open offer are scripless or non-Eligible Securities, this will be dealt with by HKSCC in the same way as entitlements under bonus issues, as described in Section 8.8.5.

**8.11.5 Unsuccessful open offers/excess shares**

If an open offer is unsuccessful, subscription moneys refunded to HKSCC will be returned to the relevant Participants as soon as practicable upon receipt by HKSCC.

As with a rights issue, the terms of an open offer may allow for applications for excess shares (in addition to pro-rata entitlements). The subscription of excess shares under an open offer will be dealt with by HKSCC in the same way as the application of excess shares under a rights issue, as described in Section 8.10.

**8.11.6 Fractional entitlements**

Fractional securities entitlements of Participants will be dealt with in accordance with Section 8.21.

**8.11A OPEN OFFER RELATING TO CHINA CONNECT SECURITIES****8.11A.1 General**

From time to time, open offers may be made by issuers of China Connect Securities to holders of such securities to subscribe for new shares. Generally, the subscription period is comparatively short, lasting for just one Mainland Business Day, and the subscription day usually falls on the day immediately after the record date imposed by issuer to determine the entitlements of the existing shareholders, including HKSCC.

HKSCC shall endeavour to take action, but shall not be liable for not taking any action for Participants in connection with any open offer relating to China Connect Securities held by HKSCC for Participants in its account with the relevant China Connect Clearing House.

**8.11A.2 Determination of entitlements**

A Participant's entitlement to subscribe for new shares under an open offer by an issuer of China Connect Securities will normally be determined by reference to the relevant China Connect Securities credited to its Stock Account as at the date on which the entitlement of HKSCC is to be determined.

**8.11A.3 Procedures**

Participants other than Investor Participants that wish to subscribe for new shares under an open offer shall input their subscription instructions via their CCASS Terminals to HKSCC no later than the time limit prescribed by HKSCC, which normally is before 11:00 a.m. on the day of the deadline for subscription of new shares imposed by the relevant issuer. To facilitate Participants other than Investor Participants to subscribe for new shares under the open offer within the extremely tight time limit, HKSCC will also accept manual subscription instructions from Participants. The following procedures will usually apply:

- (i) upon the relevant announcement being made by the issuer, HKSCC will notify Participants of the arrangement via the Broadcast Message Service as soon as practicable;
- (ii) in respect of subscription instructions through the CCASS Terminals that are received by HKSCC before the prescribed time limit, HKSCC will upon acceptance and processing of the instructions, generate CPIs to be issued to the Designated Banks of the paying Participants. The subscription money will be collected from the

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Participants' Designated Bank Accounts immediately. No DDIs will be generated. Participants shall maintain sufficient funds in their Designated Bank Accounts to enable HKSCC to effect such subscription instructions. Failure to place HKSCC in funds by 1:00 p.m. may result in HKSCC not giving effect to such subscription instructions;

- (iii) Participants other than Investor Participants may also submit a duly completed Subscription of Open Offers Form (see CCASS Terminal User Guide for Participants for the form) to HKSCC no later than the time limit prescribed by HKSCC on the subscription day stipulated by the issuer, together with proof of payment (such as the bank pay-in slip with details of the relevant Participant, including its Participant ID the relevant stock code and the subscription money paid);
- (iv) upon receipt of the Subscription of Open Offers Form and proof of payment from a Participant before the prescribed time limit, HKSCC will subscribe for the offer shares in accordance with the instructions of the Participant;
- (v) if confirmation from the China Connect Clearing House that the offer shares have been unconditionally credited to HKSCC's stock account maintained with that China Connect Clearing House is received by HKSCC at or before 7:00 p.m. on a Mainland Business Day in the case of the SSE Market or at or before 8:00 p.m. in the case of the SZSE Market, HKSCC will usually cause such offer shares to be credited to the Stock Accounts of the relevant Participant on the same day in multiple batches in accordance with Section 6.2.2. Otherwise, HKSCC will credit the entitlements on the following Mainland Business Day; and
- (vi) upon crediting of the new shares by HKSCC to Participants' Stock Accounts, the Entitlement Statements of the relevant Participants will be updated and Participants will be informed via Broadcast Message Service on the same day.

## **8.12 TAKE-OVER OFFERS**

### **8.12.1 General**

Take-over offers made to holders of Eligible Securities may be for cash or for securities (usually with a cash alternative).

A take-over offer may involve several different stages. This Section is only concerned with the acceptance of offers by Participants, the election by Participants as to whether they wish to receive consideration in cash or securities (if applicable) and the distribution of the consideration received in respect of a take-over (cash or securities) by HKSCC to Participants. Compulsory acquisition of Eligible Securities, whether or not as a result of a successful takeover offer, is dealt with in Section 8.12.8.

### **8.12.2 Determination of entitlements**

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

### **8.12.3 Procedures**

The following procedures will usually apply:

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- (i) the relevant announcement (stating the relevant time-limit) will be contained in the "Enquire Announcement Information" function via CCASS Terminals and the "Enquire Corporate Activities" function in the CCASS Internet System and the CCASS Phone System and also in the i) Corporate Announcement Master Data File; ii) Corporate Announcement Maintenance Activities Report; and iii) "Book-Close Reminder" section of the Entitlement Statement and the "Reminder" section in the activity statement following the announcement;
  - (ii) Participants other than Investor Participants wishing to accept a take-over offer must input subscription instructions via their CCASS Terminals to HKSCC. Investor Participants must give such instructions via the CCASS Phone System or the CCASS Internet System, or at the Customer Service Centre. The deadline for giving such subscription instructions to HKSCC is normally by 11:00 a.m. on the last acceptance day of the take-over offer or, in the case of China Connect Securities, 7:45 p.m. on the Mainland Business Day immediately preceding the deadline date imposed by the issuer or its authorized agent. Subscription instructions of Investor Participants received by HKSCC after 7:00 p.m. on a Business Day and before 7:00 a.m. on next Business Day, will only be processed after 7:00 a.m. on that next Business Day. Participants may cancel their subscription instructions on the same day or by such other time as HKSCC considers appropriate;
  - (iii) if no instruction to accept a take-over offer is received by HKSCC from a Participant by the stated time-limit, HKSCC will not take any action in respect of that Participant's relevant Eligible Securities;
  - (iv) upon acceptance and processing by HKSCC of instructions from Participants to accept a take-over offer, HKSCC will debit the Eligible Securities in respect of which acceptances have been made from the relevant Stock Accounts of the Participants and in the case of Participants other than Investor Participants the consideration in cash or securities, if applicable, under the take-over offer will be recorded as receivable items in the "Take-over Offer" section (as appropriate) in their respective Entitlement Statements. Details of subscription activities will be posted to the activities section of the activity statements of the Investor Participants concerned;
  - (v) based on the instructions of Participants, HKSCC will cause acceptances to be made in respect of the relevant number of Eligible Securities, provided that in the case of any take-over offer relating to China Connect Securities the consideration of which may be received in the form of securities which are not listed on the relevant China Connect Market with a cash alternative, HKSCC will elect to receive the consideration in cash only. Participants will not have the right to elect to receive the consideration in securities under such circumstances;
  - (vi) if a take-over offer is successful, upon receipt of the cash consideration under the take-over offer, if such cash payments are received by HKSCC at or before 3:45 p.m. on a Business Day, HKSCC will usually cause such payments to be credited to the Money Ledgers of the relevant Participants on the same day. Otherwise, HKSCC will credit the cash payments on the following Business Day. Participants other than Investor Participants will be informed when cash consideration under a take-over offer is received by HKSCC via the Broadcast Message Service.

If a take-over offer is successful, upon receipt of the securities consideration under the take-over offer, if securities (being Eligible Securities other than China Connect Securities) are received by HKSCC at or before 5:00 p.m. on a Business Day or



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

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

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

#### **8.12.4 Unsuccessful take-over offers**

In the case of an unsuccessful take-over offer, the Eligible Securities debited from the Stock Accounts of the relevant Participants will be re-credited into their Stock Accounts by HKSCC during the date of receipt of such securities in multiple batches at around the times stated in Section 8.12.3 above. Any CCASS fee collected will not be refunded.

#### **8.12.5 Successful partial take-over offers**

In the case of a successful partial take-over offer, unless all acceptances by HKSCC on behalf of Participants are accepted by the offeror, HKSCC will allocate the cash or securities consideration received to the relevant Participants pro-rata to the number of Eligible Securities each has given instructions to accept, or in such other manner as HKSCC considers fair and appropriate. Any surplus Eligible Securities debited from the Stock Accounts of the relevant Participants will be re-credited to their Stock Accounts by HKSCC during the date of receipt of such securities in multiple batches at around the times stated in Section 8.12.3 above.

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**8.12.6 Foreign currency cash consideration**

If the cash consideration under the take-over offer is not in an Eligible Currency, the procedures regarding dividend payments in a currency which is not an Eligible Currency will apply (see Section 8.7.3).

**8.12.7 Fractional entitlements**

Fractional securities entitlements of Participants will be dealt with in accordance with Section 8.21.

**8.12.8 Compulsory acquisition of shares**

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

- (i) on the relevant date, all relevant Eligible Securities will be debited from the Stock Accounts and any CCMS Collateral Account of the Participants concerned;
- (ii) upon receipt of cash or securities consideration by HKSCC, HKSCC will cause such securities or cash consideration to be paid to the Participants concerned in the same way as described in paragraph (vi) of Section 8.12.3. Participants other than Investor Participants will be informed when cash or securities consideration is received by HKSCC via the Broadcast Message Service;
- (iii) if the securities consideration does not constitute Eligible Securities, Participants will be required to withdraw their entitlements of such securities from the CCASS Depository and if the compulsory acquisition relates to China Connect Securities and the securities consideration involves securities not listed on the relevant China Connect Market, such securities may be dealt with by HKSCC in the same way as described in paragraph (vii) of Section 8.12.3;
- (iv) upon distribution of the cash or securities consideration under a compulsory acquisition by HKSCC, the Entitlement Statements of the relevant Participants other than Investor Participants and the activity statements of the relevant Investor Participants will be updated; and
- (v) the ad valorem stamp duty and any other relevant charges will be charged back to the Participants concerned on a pro-rata basis to the number of Eligible Securities so held by the relevant Participants, or in such other manners as HKSCC considers fair and appropriate upon distribution of the cash or securities by HKSCC.

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

**8.13 CONVERSION OF WARRANTS****8.13.1 General**

Warrants give their holders the right to subscribe for (or purchase) stated quantities of securities at stated "subscription" prices (subject to adjustments) or to exercise the warrants at stated "strike" prices (subject to adjustment) and receive money proceeds during an exercise period or at stated exercise dates.

This Section is concerned with the exercise of warrants by Participants and the collection and distribution of subscribed securities or cash proceeds to Participants. The warrants in this Section refer to (i) registered warrants and (ii) derivative/covered warrants that are call warrants or cash settled put warrants.

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**8.13.2 Procedures**

The following procedures will usually apply; save that paragraph (iii) shall not apply to Investor Participants:

- (i) Participants with warrants in CCASS may at any time during the relevant exercise periods (subject to paragraph (ii) below) input the instructions either via their CCASS Terminals or, in the case of Investor Participants, via the CCASS Phone System or the CCASS Internet System, or at the Customer Service Centre to HKSCC to subscribe for securities under their warrants in CCASS.

The deadline for giving such instructions to HKSCC in respect of registered warrants is usually by 11:00 a.m. on the last exercise date. The deadline for giving such instructions to HKSCC in respect of derivative/covered warrants is usually by 7:00 p.m., one Business Day before the last exercise date for Participants other than Investor Participants and by 11:00 a.m., one Business Day before the last exercise date for Investor Participants. Any instructions of Investor Participants received by HKSCC after 7:00 p.m. on a Business Day and before 7:00 a.m. on next Business Day will only be processed after 7:00 a.m. on that next Business Day. Participants may cancel their subscription instructions on the same day.

In respect of registered warrant instructions that are accepted and processed by HKSCC on any Business Day before the last exercise date, debit entries for the appropriate conversion monies will be posted to the Participants' Money Ledgers and will be automatically charged to the Participants' Designated Bank Accounts on the same Business Day via DDIs.

In respect of derivative/covered warrant instructions that are accepted and processed by HKSCC on any Business Day before the last exercise date from Participants other than Investor Participants or at least two Business Days before the last exercise date from Investor Participants, debit entries for the appropriate conversion monies will be posted to the Participants' Money Ledgers and will be automatically charged to the Participants' Designated Bank Accounts on the same Business Day via DDIs. For physically settled derivative/covered warrants conversion, the debit entries will be effected for the conversion monies (if any) and conversion charges.

In respect of instructions that are accepted and processed by HKSCC by the specified time (normally, 11:00 a.m.) on the last exercise date (in the case of registered warrant instructions) or on the Business Day before the last exercise date (in the case of derivative/covered warrant instructions from Investor Participants), HKSCC will generate CPIs to be issued to the Designated Banks of the paying Participants. Appropriate conversion monies will be collected from the Participants' Designated Bank Accounts immediately. No DDIs will be generated. Participants shall maintain sufficient funds in their Designated Bank Accounts to enable HKSCC to effect such subscription instructions. Failure to place HKSCC in funds by 1:00 p.m. may result in HKSCC not giving effect to such instructions.

HKSCC will exercise the warrants for the Participants concerned in batch and the ad valorem stamp duty (if any) will be charged back to the Participants concerned upon notice of the exact amount from the Issuer or its agent or representative pro-rata to the number of Eligible Securities each has given instructions to subscribe, or in such other manner as HKSCC considers fair and appropriate. For cash settled derivative/covered warrants conversion, debit entries for the conversion charges (if any) will be posted to the Participant's Money Ledgers on the payment date;

- (ii) for warrants which accept eligible Debt Securities such as bonds in lieu of

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conversion monies, Participants may specify the bond quantity in the instruction. Upon input of the relevant instruction, HKSCC will debit the eligible bonds from the relevant Stock Accounts of the Participants;

- (iii) for warrants that are subject to a stated exercise date, or for warrants approaching the end of their exercise period, HKSCC will inform Participants other than Investor Participants via CCASS Terminals through the "Enquire Announcement Information" function of details of time-limits for instructions for those wishing to exercise their warrants in CCASS (usually, by the time specified in paragraph (i) above). Similar information will be provided to Investor Participants via the CCASS Internet System through the "Enquire Corporate Activities" function;
- (iv) for covered warrants conversion, Participants other than Investor Participants are allowed to elect their warrants to be delivered to the Issuer or its agent or representative for subscription either before 10:00 a.m. or after 10:00 a.m. on the following exercise day. Investor Participants may elect their warrants to be delivered to the issuer or its agent or representative for subscription either before 10:00 a.m. or after 10:00 a.m. on the next following exercise day. Since 10:00 a.m. of each Business Day is normally the cut-off time for determining the exercise date, thus, due cash or securities for those elected subscription to be delivered after 10:00 a.m. will be received one Business Day later than those elected subscriptions elected to be submitted before 10:00 a.m.;
- (v) where the securities to be subscribed for under warrants are subject to deadlines with regard to qualification to participate in dividend payments etc. accruing to such securities, subscription instructions will normally have to be given to HKSCC by 7:00 p.m. for Participants other than Investor Participants and by 11:00 a.m. for Investor Participants on the subscription day which is one Business Day before the relevant deadline for subscription to qualify for any such dividend payments. For those instructions received and processed by HKSCC on any Business Day before the relevant deadline (in case of Participants other than Investor Participants) or at least two Business Days before the relevant deadline (in case of Investor Participants), debit entries for the appropriate conversion monies will be posted to the Participants' Money Ledgers and will be automatically charged to the Participants' Designated Bank Accounts on the same Business Day via DDIs. For those instructions received from Investor Participants by 11:00 a.m. one Business Day before the relevant deadline, HKSCC will generate CPIs to be issued to the Designated Banks of the paying Investor Participants. Appropriate conversion monies will be collected from the Investor Participants' Designated Bank Accounts immediately. Investor Participants shall maintain sufficient funds in their Designated Bank Accounts to enable HKSCC to effect such subscription instructions. Failure to place HKSCC in funds by 1:00 p.m. may result in HKSCC not giving effect to such instructions.

Where the securities to be subscribed for under covered warrants are subject to deadlines with regard to qualification to participate in dividend payments etc. accruing to such securities, Participants which had elected to deliver their warrants to the Issuer or its agent or representative after 10:00 a.m. on the Business Day of the relevant deadline for subscription to qualify for dividend payments will not be entitled to participate in such dividend payments;

- (vi) where the eligible Debt Securities, e.g. bonds, to be submitted to the issuer or its agent or representative in lieu of conversion monies are subject to deadlines with regard to qualification to participate in interest payment accruing to such Debt Securities, subscription instruction input by a Participant other than Investor

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Participant from the last registration day before book-close date (or on the CCASS Record Date imposed by HKSCC for the determination of interest entitlement) until the Business Day next preceding the last day of the book-close period (or until the Business Day next preceding the interest payment day, whichever is later) shall not contain any eligible Debt Securities as substitution for conversion monies. In the case of Investor Participants, such subscription instruction given from two Business Days preceding the last registration day before book-close date (or on the CCASS Record Date imposed by HKSCC for the determination of interest entitlement) until two Business Days next preceding the last day of the book-close period (or until the Business Day next preceding the interest payment day, whichever is later) shall not contain any eligible Debt Securities as substitution for conversion monies;

- (vii) upon receipt of instructions from Participants to exercise their warrants in CCASS where eligible Debt Securities such as bonds are not specified, HKSCC will debit the relevant number of warrants from the relevant Stock Accounts of the Participants concerned and in the case of Participants other than Investor Participants the securities to be subscribed for or cash to be determined by issuer of the covered warrant with cash option will be recorded as receivable items in the "Warrant Subscription" section of their respective Entitlement Statements. Details of subscription activities of Investor Participants will be posted to the activity statements of such Participants;
- (viii) upon receipt of instructions from Participants to subscribe for securities under their warrants in CCASS where eligible Debt Securities such as bonds are specified to substitute for conversion monies, HKSCC will debit the relevant number of warrants and eligible Debt Securities from the relevant Stock Accounts of the Participants concerned and in the case of Participants other than Investor Participants the securities to be subscribed for (and the interests accruing to the eligible Debt Securities, where applicable) or cash to be determined by issuer of a warrant with cash option will be recorded as receivable items in the "Warrant Subscription with Bond Conversion" section of their respective Entitlement Statements. Details of subscription activities of Investor Participants will be posted to the activity statements of such Participants;
- (ix) based on the instructions of Participants and provided the Participants kept sufficient monies in their Designated Bank Accounts for subscription purpose, HKSCC will exercise the warrants except cash settled derivative/covered warrants on the following exercise day for Participants other than Investor Participants and the next following exercise day for Investor Participants. In relation to cash settled derivative/covered warrants, HKSCC will, based on the instructions of the Participants, exercise the cash settled derivative/covered warrants on the following exercise day;
- (x) upon receipt of the cash subscribed for by HKSCC, if such cash is received at or before 3:45 p.m. on a Business Day, HKSCC will usually cause such cash subscribed for to be credited to the Money Ledgers of the relevant Participants on the same day. Otherwise, HKSCC will credit the cash subscribed for on the following Business Day.

Upon receipt of the securities subscribed for by HKSCC, if such securities are received at or before 5:00 p.m. on a Business Day or 12:00 noon on a Saturday, HKSCC will usually cause such securities subscribed for to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2. Otherwise, HKSCC will credit the securities

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subscribed for on the following Business Day (Saturday being treated as a Business Day for this purpose, unless it is a public holiday);

- (xi) if the securities subscribed for are not Eligible Securities, the Participants concerned, will be required to withdraw such securities from the CCASS Depository;
- (xii) in relation to warrants approaching the end of their exercise period, Participants other than Investor Participants will be informed of the same via the Broadcast Message Service through CCASS Terminals and Participant Gateways;
- (xiii) upon distribution of the securities subscribed for under the warrants, the Entitlement Statements of the relevant Participants other than Investor Participants and the activity statements of the relevant Investor Participants will be updated; and
- (xiv) where securities subscribed for are credited to the Entitlements Statements of Participants other than Investor Participants as receivables and the securities subscribed for are subject to a scrip or dividend entitlement election option, HKSCC will generate a scrip or dividend option election instruction through CCASS Terminals and the procedures for election will be the same or similar to those described in Section 8.9. In the case of Investor Participants who are entitled to such scrip or dividend entitlement election option, HKSCC will generate a scrip or dividend option election instruction via the CCASS Phone System and the CCASS Internet System and the procedures for election will be the same or similar to those described in Section 8.9. Where the dividend entitlement with option election is unusual in nature, HKSCC may via the Broadcast Message Service inform Participants other than Investor Participants through CCASS Terminals and Participant Gateways any applicable procedures for election and Investor Participants will be informed of any applicable procedures for election via activity statements.

**8.13A** Repealed

**8.13B** Repealed

## **8.14 SUB-DIVISIONS, CONSOLIDATIONS ETC.**

### **8.14.1 General**

From time to time, Eligible Securities may be subject to sub-divisions, consolidations, stock conversions or a change in trading currency.

A sub-division of Eligible Securities would involve the conversion of the existing Eligible Securities of an Issuer into a larger number of Eligible Securities, or the splitting of existing Eligible Securities into "new" ones with a smaller nominal value (for example, each stock X of a nominal value of \$1.00 each may be sub-divided into ten new stock X of a nominal value of \$0.10 each). Any reference in these Operational Procedures to share or stock splitting or sub-division shall be construed accordingly.

A consolidation of Eligible Securities would involve the reverse of a sub-division in that existing Eligible Securities of an Issuer would be converted into a smaller number of Eligible Securities, or several existing Eligible Securities will be consolidated into one "new" one of a larger nominal value (for example, five stock Y of a nominal value of \$0.20 each may be consolidated into one new stock Y of a nominal value of \$1.00 each). Any reference in these Operational Procedures to share or stock consolidation shall be construed accordingly.

A stock conversion, as used herein, is similar to a sub-division or a consolidation in that, in effect, existing Eligible Securities are exchanged for new ones. The one important difference is that, unlike a sub-division or a consolidation, a stock conversion may involve the exchange of Eligible Securities of two different issuers. For example, in a "redomicile" situation, usually done by way of a scheme of arrangement sanctioned by court, existing shares in a Hong Kong company will in effect be exchanged for new shares in an overseas company.

Subject to applicable regulations and approvals, the trading currency of Eligible Securities may be altered. For example, Eligible Securities traded in Hong Kong dollars may be approved to be traded instead in US dollars.

This Section is concerned with how sub-divisions, consolidations, stock conversions and changes in trading currency of Eligible Securities will normally be handled by HKSCC. There may be special handling procedures applicable to Foreign Securities and Uncertificated Eligible Securities which will be notified to Participants by circular from time to time. In most cases, the "new" securities will also be accepted as Eligible Securities by HKSCC.

For convenience, the existing Eligible Securities prior to a sub-division, a consolidation or a stock conversion will be referred to in this Section as "Old Shares". The new Eligible Securities as a result of a sub-division, a consolidation or a stock conversion will be referred to as "New Shares". As explained later, where the Eligible Securities are subject to parallel trading arrangements, the certificates originally for the Old Shares will be deemed to represent the New Shares temporarily for the purposes of facilitating trading in the New Shares. For convenience, such original certificates are referred to as "Temporary Shares".

The aim of HKSCC is to minimize the need for Participants with holdings in Eligible Securities subject to sub-divisions, consolidations or stock conversions, to have to exchange original certificates representing Old Shares, for new certificates representing New Shares at the registrars concerned, and also to minimize the inconvenience to such Participants with respect to parallel trading arrangements that may be in place.

Sections 8.14.2 to 8.14.5 describe the position where parallel trading arrangements are in place for sub-divisions, consolidations and stock conversions. Section 8.14.6 describes the position where there are no parallel trading arrangements.

Sections 8.14.8 and 8.14.9 describe the procedures in CCASS for handling changes in the trading currencies of Eligible Securities. Section 8.14.8 describes the position where parallel trading arrangements are in place. Section 8.14.9 describes the positions where there are no parallel trading arrangements.

#### **8.14.2 Parallel trading**

In the case of a sub-division, a consolidation or a stock conversion affecting Eligible Securities which are subject to parallel trading on the Exchange, typically, the following stages are involved :

- (i) the last trading day of the Old Shares will be the day before the effective date of the sub-division, consolidation or stock conversion;
- (ii) on the effective date of the sub-division, consolidation or stock conversion, a temporary trading counter for the Temporary Shares (i.e. original certificates for the Old Shares which are deemed to represent the New Shares) will be established on the Exchange to cater for dealing in the New Shares before new certificates representing

them are readily available;

- (iii) thereafter, usually in about two weeks, a new trading counter for the New Shares (represented by new certificates) will be established on the Exchange;
- (iv) for a period of time, trading in the New Shares will be effected separately at two trading counters on the Exchange, as referred to in paragraphs (ii) and (iii) above and hence the term "parallel trading";
- (v) parallel trading will cease when the temporary trading counter for the Temporary Shares is closed on the Exchange; and
- (vi) usually from the time of the effective date of a sub-division, a consolidation, or a stock conversion until some specified time after the end of the parallel trading period, holders of original certificates representing Old Shares (or Temporary Shares) will be able to exchange such certificates for new certificates representing New Shares free of charge.

The Old Shares, the Temporary Shares and the New Shares will all be assigned stock codes by the Exchange and typically, the final stock code assigned by the Exchange to the New Shares will be the same stock code originally used for the Old Shares. HKSCC will normally adopt the same stock codes used by the Exchange for CCASS purposes.

#### **8.14.3 Procedures for automatic conversions under parallel trading**

For the convenience of Participants, HKSCC will at stated times (determined by reference to the effective date of the sub-division, consolidation or stock conversion, or the relevant parallel trading arrangements) carry out automatic conversions of actual holdings or unsettled stock positions of Participants in CCASS, from Old Shares into Temporary Shares by reference to the stated ratio of the sub-division, consolidation or stock conversion, and from Temporary Shares into New Shares on a one to one basis. Outstanding Settlement Instructions and Investor Settlement Instructions will also be automatically converted in CCASS.

Typically, automatic conversions (where there is no change in trading currency) will be carried out in CCASS as follows:

- (i) at the end of the first Settlement Day following the effective date of the sub-division, consolidation or stock conversion (if the effective time of such corporate action is upon market open on the effective date) or the second Settlement Day following the effective date (if the effective time is upon market close), (a) actual holdings of Old Shares of Participants will be automatically converted in CCASS into holdings of Temporary Shares and (b) unsettled Settlement Instructions and Investor Settlement Instructions will be automatically converted in CCASS into corresponding instructions relating to Temporary Shares, in each case based on the relevant ratio of the sub-division, consolidation, or stock conversion;
- (ii) at the end of the Settlement Day before the day on which parallel trading commences, (a) any further actual holdings of Old Shares and any unsettled stock positions of Old Shares of Clearing Participants arising out of Exchange Trades and/or Clearing Agency Transactions, will be automatically converted in CCASS into holdings of or stock positions in Temporary Shares and (b) any outstanding Settlement Instructions and Investor Settlement Instructions relating to Old Shares will be automatically converted in CCASS into corresponding instructions relating to Temporary Shares, in each case based on the relevant ratio. Typically, the Exchange will at the



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commencement of parallel trading assign the original stock code of the Old Shares to the New Shares. HKSCC will adopt the same approach for CCASS purposes;

- (iii) at the end of the second Settlement Day following the last day of parallel trading, (a) actual holdings of Temporary Shares of Participants will be automatically converted in CCASS into holdings of New Shares amounting, in effect, merely to a change of stock codes of such holdings in CCASS and (b) all outstanding Settlement Instructions and Investor Settlement Instructions relating to Temporary Shares will be automatically converted to corresponding instructions relating to New Shares, in each case on a one to one basis; and
- (iv) when all stock positions of Participants in the Temporary Shares in CCASS have been settled, (a) further actual holdings of Temporary Shares of Participants will again be automatically converted in CCASS into holdings of New Shares (this again amounting merely to a change of stock codes) and (b) all outstanding Settlement Instructions and Investor Settlement Instructions relating to Temporary Shares will be automatically converted to corresponding instructions relating to New Shares, in each case on a one to one basis.

Participants other than Investor Participants will be informed of the automatic conversions in CCASS referred to above in advance through the "Enquire Announcement Information" function via CCASS Terminals and also in the i) Corporate Announcement Master Data File; ii) Corporate Announcement Maintenance Activities Report; and iii) "Corporate Action Reminder" section of their Entitlement Statements. Similar reminder will be provided to Investor Participants who have elected to receive the activity statements by mail or Investor Participants can enquire the details of such statements via CCASS Internet System. Upon automatic conversions, Participants other than Investor Participants will be informed by virtue of their Statements of Stock Accounts, Next Settlement Day Due/Overdue Position Reports and Settlement Reports available through their CCASS Terminals and Participant Gateways. Investor Participants will be similarly informed through their activity statements via mail or the CCASS Internet System. Participants are expected to monitor such automatic conversions and inform HKSCC of any errors or discrepancies found.

#### **8.14.4 Conversions by instructions of Participants under parallel trading**

Participants other than Investor Participants that wish to settle short positions in Temporary Shares or New Shares will have the flexibility of not relying on the automatic conversions referred to in Section 8.14.3(iii)-(iv) or to override such automatic conversions, by submitting a Parallel Trading Conversion Instruction to effect the conversions of their actual holdings (but not their unsettled stock positions) of Temporary Shares in one stock code into holdings of New Shares in another stock code (or vice versa) on a one to one basis in accordance with Section 7.13A.

#### **8.14.5 Deposits and withdrawals**

Unless otherwise approved by HKSCC, the deposits and withdrawals of original certificates representing Old Shares into or out of CCASS by Participants will not normally be accepted by HKSCC from two Settlement Days after the end of the relevant parallel trading period (where the Eligible Securities are subject to parallel trading arrangements) or the date from which the certificates of Old Shares will cease to be valid for delivery, trading and settlement purpose or otherwise as set forth in the issuer's circular, as the case may be. Participants will then have to submit such original certificates to the registrars of issuers of Eligible Securities to exchange them for certificates for the New Shares.

Save as mentioned and subject to availability, withdrawals by Participants of Old Shares, Temporary Shares and New Shares will be allowed at any time.

**8.14.6 Sub-division, consolidation or stock conversion not subject to parallel trading**

Where sub-divisions, consolidations or stock conversions affecting Eligible Securities are not subject to parallel trading arrangements (and where there is no change in trading currency), HKSCC will, at the end of the Business Day prior to the effective date of the sub-division, consolidation or stock conversion (if the effective time of such corporate action is upon market open on the effective date) or at the end of the effective date (if the effective time is upon market close), automatically convert (i) all actual holdings of Old Shares into New Shares, (ii) all unsettled CNS and IT stock positions of Old Shares into corresponding stock positions in New Shares and (iii) all outstanding Settlement Instructions and Investor Settlement Instructions relating to Old Shares into corresponding instructions relating to New Shares, in each case based on the relevant ratio of the sub-division, consolidation or stock conversion.

**8.14.7 Fractional securities**

Any fractional holdings or stock positions of a Participant as a result of a sub-division, consolidation or stock conversion will be dealt with in accordance with Section 8.21.

**8.14.8 Change in the trading currency of Eligible Securities subject to parallel trading**

Where there is a change in the trading currency of Eligible Securities and the Eligible Securities are subject to parallel trading on the Exchange, typically, automatic conversions will be carried out in CCASS as follows:

- (i) at the end of the first Settlement Day following the effective date of the change in trading currency (if the effective time of the corporate action is upon market open on the effective date) or the second Settlement Day following the effective date (if the effective time is upon market close), the actual holdings of Participants in shares valued in the original trading currency will be automatically converted in CCASS into holdings in a temporary counter valued in the new trading currency applying the relevant conversion ratio;
- (ii) at the end of the Settlement Day before the day on which parallel trading commences, the actual holdings of Participants in shares valued in the original trading currency will be automatically converted in CCASS into holdings in a temporary counter valued in the new trading currency applying the relevant conversion ratio; and
- (iii) at the end of the second Settlement Day following the last day of parallel trading, (a) the actual holdings of Participants in the temporary counter will be automatically converted into holdings of shares valued in the new trading currency and (b) any outstanding Settlement Instructions and Investor Settlement Instructions relating to the temporary counter will be automatically converted into corresponding instructions relating to shares valued in the new trading currency, in each case on a one to one basis.

The Participants will be advised of the relevant stages to be involved with respect to the parallel trading arrangements and the details of the automatic conversions on a case by case basis.

Normally, the holdings in shares valued in the original trading currency, the holdings in a temporary counter valued in the new trading currency and the holdings of shares valued in the new trading currency, as above referred to, will all be assigned stock codes by the Exchange and HKSCC will adopt the same stock codes for CCASS purposes.

Participants other than Investor Participants will have the flexibility of not relying on the automatic conversion referred to in Section 8.14.8(iii) or to override such automatic

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conversion, by submitting a Parallel Trading Conversion Instruction to effect the conversion of their actual holdings in a temporary counter valued in the new trading currency under one stock code into the holdings of shares valued in the new trading currency under another stock code (or vice versa) on a one to one basis in accordance with Section 7.13A of the Operational Procedures.

#### **8.14.9 Change in the trading currency of Eligible Securities not subject to parallel trading**

Where there is a change in the trading currency of Eligible Securities and the Eligible Securities are not subject to parallel trading arrangements, HKSCC will, at the end of the Business Day prior to the effective date of the change in trading currency (if the effective time of the corporate action is upon market open on the effective date) or at the end of the effective date (if the effective time is upon market close), automatically convert the actual holdings and stock lending positions of shares valued in the original trading currency into holdings or positions held under a temporary stock code valued in the original trading currency applying the relevant conversion ratio.

All unsettled CNS and IT stock positions and all outstanding Settlement Instructions and Investor Settlement Instructions will, from the end of the Business Day prior to the effective date or from the end of the effective date of the change in trading currency, as the case may be, be held under a temporary stock code (being one which is not a listed stock code). This will enable them to be settled in their original trading currency. In effect, this is only a change of stock codes. No withdrawal of shares held under the temporary stock code will be allowed by HKSCC.

At the end of the first or second Settlement Day following the effective date of the change in trading currency, as the case may be, actual holdings and stock lending positions under the temporary stock code valued in the original trading currency will be automatically converted in CCASS into shares or positions valued in the new trading currency on a one to one basis.

Participants other than Investor Participants that wish to settle outstanding SI / ISI relating to shares valued in the original trading currency with shares valued in the new trading currency or vice versa may submit to HKSCC a completed and signed form as prescribed by HKSCC from time to time.

Following each automatic conversion, Participants other than Investor Participants will be informed of the results through their CCASS Terminals and Participant Gateways and Investor Participants will be informed through activity statements despatched or transmitted via the internet to such Participants. Participants are expected to monitor such automatic conversions and inform HKSCC of any errors or discrepancies found in the statements.

### **8.15 INTEREST PAYMENTS**

#### **8.15.1 Determination of interest**

A Participant's entitlement to interest accruing to eligible Debt Securities will be determined by reference to the relevant eligible Debt Securities credited to its Stock Account as at the date on which the entitlement of HKSCC (or the Nominee) is determined. This will normally be the last registration date set by the issuer. However, in the case of bearer securities, it will be the CCASS Record Date imposed by HKSCC and, in the case of Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments, it will be one Business Day before the date on which interest is to be paid on them.

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

In the case of Debt Securities which are Foreign Securities and are held with an Appointed Depositary, interest payments will normally be distributed to HKSCC and the relevant Participants after deduction of any withholding taxes applicable to HKSCC and/or net of any Withholding Tax (whether withheld by HKSCC or any other parties). HKSCC will have no obligation to gross-up any such distribution or to pay any additional amount as a result of such deduction or Withholding Tax.

Without prejudice to the above, to the extent required by the Tax Information Exchange Framework, HKSCC shall be entitled to deduct or withhold Withholding Tax (whether withheld by HKSCC or any other parties) from any payment of interest payment (or payment of any other income) received by HKSCC on or accruing to Debt Securities to a Participant (or from any other payment made by HKSCC to a Participant) and shall have no obligation to gross-up any such payment or to pay any additional amount as a result of such Withholding Tax.

#### **8.15.2 Procedures: interest payment in an Eligible Currency**

For interest payments in an Eligible Currency, the following procedures will usually apply:

- (i) in the case of Participants other than Investor Participants the relevant announcement (stating the relevant time-limit) will be contained in the “Enquire Announcement Information” function via CCASS Terminals and also in the i) Corporate Announcement Master Data File; ii) Corporate Announcement Maintenance Activities Report; and iii) “Book-Close Reminder” section of their Entitlement Statements normally seven Business Days before the date on which the entitlement of HKSCC (or the Nominee) is determined. Investor Participants will be informed of such announcements via the CCASS Phone System and the CCASS Internet System when such information is recorded in the system;
- (ii) on the date on which Participants' entitlements to interest are determined, interest entitlements will be recorded as receivable items in the "Interest Payment" section of Entitlement Statements of the relevant Participants other than Investor Participants;
- (iii) upon receipt of payment, if payment is received by HKSCC at or before 3:45 p.m. on a Business Day, HKSCC will usually cause payments to be credited to the Monday Ledgers of the relevant Participants on the same day. Otherwise, HKSCC will credit the amounts on the following Business Day. Participants other than Investor Participants will be informed when payment is received by HKSCC, via the Broadcast Message Service, available through CCASS Terminals and Participant Gateways; and
- (iv) upon interest entitlements being made available by HKSCC to Participants, the Entitlement Statements of the relevant Participants other than Investor Participants and the activity statements of the relevant Investor Participants will be updated with the interest payments.

Participants must ensure that they maintain a Designated Bank Account in the relevant Eligible Currency for payment to them of entitlements to interest in that Eligible Currency. Failure to observe this requirement will result in late receipt of the entitlements by the Participants. In such event, HKSCC shall not be liable to the Participants for any interest on those entitlements.

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**8.15.3 Procedures : Interest payment in Non-Eligible Currencies**

For interest payments in currencies other than Eligible Currencies, HKSCC may in its discretion provided an option to Participants to receive interest in Hong Kong dollars. The procedures for interest entitlement election and distribution will be similar to those described in section 8.9.3. If currency election is not available, the procedures under section 8.7.3 will usually apply.

**8.16 CONVERSION OF BONDS****8.16.1 General**

Convertible bonds give their holders the right to convert for (or purchase) stated quantities of securities at stated conversion prices (subject to adjustments) during a conversion period or at stated conversion dates.

This Section is concerned with the conversion of eligible Debt Securities such as bonds, by Participants, into securities and the collection and distribution of such securities to Participants.

**8.16.2 Procedures**

The following procedures will usually apply:

- (i) Participants with relevant bond holdings credited to their Stock Accounts in CCASS may at any time during the relevant conversion periods (subject to paragraphs (ii) and (iii) below) input instructions via their CCASS Terminals to HKSCC to convert for securities under their bonds in CCASS. Participants may cancel their subscription instructions on the same day. Except as mentioned below, upon input of the relevant instructions, debit entries for the appropriate conversion monies, where applicable will be posted to the Participants' Money Ledgers and will be automatically charged to the Participants' Designated Bank Accounts on the same Business Day via DDIs. The debit entries will be effected for the conversion monies and conversion charges. In respect of instructions that are input before the specified time (normally, 11:00 a.m.) on the last day of the relevant conversion period or on the stated exercise date for bonds that are subject to a stated exercise date, HKSCC will upon acceptance and processing of the relevant instructions, generate CPIs to be issued to the Designated Banks of the Participants. Appropriate conversion monies will be collected from the Participants' Designated Bank Accounts immediately. No DDIs will be generated. Participants shall maintain sufficient funds in their Designated Bank Accounts to enable HKSCC to effect such subscription instructions. Failure to place HKSCC in funds by 1:00 p.m. may result in HKSCC not giving effect to such instructions. HKSCC will convert for the securities under their bonds for the Participants concerned in batch, any disbursement cost will be charged back to the Participants concerned upon notification of the exact amount from the registrars or transfer agent pro-rata to the number of bonds each Participant has given instructions to convert, or in such other manner as HKSCC considers fair and appropriate;
- (ii) for bonds that are subject to a stated exercise date, or for bonds approaching the end of their conversion period, HKSCC will inform Investor Participants via the CCASS Phone System and the CCASS Internet System and Participants other than Investor Participants via CCASS Terminals through the "Enquire Announcement Information" function and also in the i) Corporate Announcement Master Data File; and ii) Corporate Announcement Maintenance Activities Report with details of time-limits for instructions for those wishing to convert for securities under their bonds in CCASS (usually, by 11:00 a.m. on the stated exercise date or last conversion day);

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- (iii) for bonds that are subject to deadlines with regard to qualification to participate in interest payments accruing to such bonds, HKSCC will not accept conversion instructions after 11:00 a.m. on the last registration day before book-close date (or the CCASS Record Date imposed by HKSCC for the determination of interest entitlements) until, in the case of Investor Participants, two Business Days preceding the last day of book-close period (or until two Business Days preceding the interest payment day, whichever is later) or, in the case of Participants other than Investor Participants, the Business Day next preceding the last day of book-close period (or until the Business Day next preceding the interest payment day, whichever is later).
  - (iv) where the securities to be converted for under bonds are subject to deadlines with regard to qualification to participate in dividend payments etc. accruing to such securities, conversion instructions will normally have to be given to HKSCC by 11:00 a.m. on the day of the relevant deadline for subscription to qualify for any such dividend payments. For those instructions received by HKSCC on any Business Day before the relevant deadline, debit entries for the appropriate conversion monies will be posted to the Participants' Money Ledgers and will be automatically charged to the Participants' Designated Bank Accounts on the same Business Day via DDIs. For those instructions received by 11:00 a.m. on the day of the relevant deadline, HKSCC will generate CPIs to be issued to the Designated Banks of the paying Participants. Appropriate conversion monies will be collected from the Participants' Designated Bank Accounts immediately. Participants shall maintain sufficient funds in their Designated Bank Accounts to enable HKSCC to effect such conversion instructions. Failure to place HKSCC in funds by 1:00 p.m. may result in HKSCC not giving effect to such instructions;
  - (v) upon receipt of instructions from Participants to convert for securities under their bonds in CCASS, HKSCC will debit the relevant number of bonds from the relevant Stock Accounts of the Participants concerned and the securities to be converted for (and the interest accruing to the bonds, where applicable) will be recorded as receivable items in the "Bond Conversion" section of their respective Entitlement Statements. Details of subscription activities of Investor Participants will be posted to their activity statements;
  - (vi) based on the instructions of Participants and provided the Participants kept sufficient monies in their Designated Bank Accounts for conversion purposes, HKSCC will arrange for the conversion under the bond on the following Business Day for Participants other than Investor Participants and the next following Business Day for Investor Participants;
  - (vii) upon receipt of the securities converted for by HKSCC, if such securities are received at or before 5:00 p.m. on a Business Day or 12:00 noon on a Saturday, HKSCC will usually cause such securities to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2. Otherwise, HKSCC will credit the securities converted for on the following Business Day (Saturday being treated as a Business Day for this purpose, unless it is a public holiday).

Upon receipt of any interest payments accruing to the bonds, where applicable, by HKSCC, if such payments are received at or before 3:45 p.m. on a Business Day, HKSCC will usually cause such payments to be credited to the Money Ledgers of the relevant Participants on the same day. Otherwise, HKSCC will credit the payments on the following Business Day;

- (viii) if the securities converted for are non Eligible Securities, the Participants concerned will be required to withdraw such securities from the CCASS Depository;
- (ix) Participants other than Investor Participants will be informed when securities converted for under the bonds are received by HKSCC via the Broadcast Message Service through their CCASS Terminals and Participant Gateways;
- (x) upon distribution of the securities converted for (and interest, where applicable) under the bond, the activity statements of Investor Participants and the Entitlement Statements of Participants other than Investor Participants will be updated; and
- (xi) where securities converted for are credited to the Entitlements Statements of Participants other than Investor Participants and the securities converted for are subject to a scrip or dividend entitlement election option, HKSCC will generate a scrip or dividend option election instruction through CCASS Terminals and the procedures for election will be the same or similar to those described in Section 8.9. In the case of Investor Participants who are entitled to such scrip or dividend entitlement election option, HKSCC will generate a scrip or dividend option election instruction via the CCASS Phone System and the CCASS Internet System and the procedures for election will be the same or similar to those described in Section 8.9. Where the dividend entitlement with option election is unusual in nature, HKSCC may via the Broadcast Message Service inform Participants other than Investor Participants through CCASS Terminals and Participant Gateways or, in the case of Investor Participants, via the CCASS Phone System and the CCASS Internet System any applicable procedures for election and Investor Participants will be informed of any applicable procedures for election via the activity statements.

### **8.16.3 Other procedures**

Participants will be advised of other relevant procedures to be followed/observed with respect to conversions of eligible Debt Securities on a case by case basis.

## **8.17 BOND, EXCHANGE FUND NOTES, GOVERNMENT BONDS, SPECIFIED INSTRUMENTS AND CMU INSTRUMENTS REDEMPTION**

### **8.17.1 General**

This section is concerned with (a) the redemption, either put or call in nature, of eligible Debt Securities such as bonds, (b) the redemption of Exchange Fund Notes, (c) the redemption of Specified Instruments, (d) the redemption of CMU Instruments, (e) the redemption of Government Bonds and (f) the distribution of the principal amount to Participants.

Bond redemption involves the surrendering of bond certificates in return for principal. The corporate activity can be effected at a bond's maturity, or at any time during its life cycle, according to the provisions stated in the issuing document.

The redemption of Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments involves debiting them from the Participants' Stock Accounts and crediting the corresponding redemption amounts to the Participants' Money Ledgers. Redemption of Exchange Fund Notes will occur on their maturity dates. Redemption of Specified Instruments or CMU Instruments or Government Bonds will occur at or before their maturity dates, (and if before, either in whole or in part) in accordance with their terms and conditions.

### **8.17.2 Bond redemption - call**

Redemption of a bond called by the issuer can be effected at or before its maturity, and

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either in part or full. In such event the following procedures will usually apply:

- (i) a Participant's redemption rights (subject to paragraph (ii) below) will normally be determined by reference to the relevant bonds credited to its Stock Account on the redemption effective date on which the extent of the right of HKSCC to take part in such redemption is determined;
- (ii) in the case of redemption in part by redeeming specific certificate numbers, HKSCC will conduct a random computerized balloting in order to determine from which Participants' Stock Accounts, and in what quantities, the bonds are to be redeemed;
- (iii) the relevant announcement will be contained in the "Enquire Announcement Information" function via CCASS Terminals and also in the i) Corporate Announcement Master Data File; ii) Corporate Announcement Maintenance Activities Report; and iii) "Book-Close Reminder" section of the Entitlement Statements of Participants other than Investor Participants normally seven Business Days before the last registration day/CCASS Record Date, or following the announcement. In the case of Investor Participants, such announcement will be contained in the "Enquire Corporate Activities" and "Corporate Action Reminder" functions via the CCASS Internet System and the "Corporate Action Deadline Enquiry" function via the CCASS Phone System and will also be set out in the "Reminder" section of the activity statement after input of the announcement into CCASS;
- (iv) for full redemption implemented at bond's maturity, or early redemption which employs the same last registration day of an interest period, procedures in relation to the accrued interest will be dealt with in Section 8.15 ("Interest Payments");
- (v) on the relevant date all or part, subject to the terms of the redemption determined by the bond issuer, of the bonds will be debited from Stock Accounts of the Participants concerned (subject to paragraph (vi) below), and in the case of Participants other than Investor Participants related principal and accrued interest where applicable, will be recorded as receivable items in the "Bond Redemption" section of their respective Entitlement Statement;
- (vi) in the case of redemption in part by redeeming specific certificate numbers, HKSCC will, usually on the Business Day immediately preceding the redemption date, carry out balloting for all the Participants holding the eligible Debt Securities after the final settlement batch run. Participants drawn in the balloting process will have the relevant bonds quantity debited from their Stock Account with an amount not greater than the total holding of all Stock Accounts. Should any negative balance in the relevant Participants' Stock Accounts result from the debit, Participants should replenish the difference by means of ATI on the Business Day following the balloting day;
- (vii) upon receipt of the principal entitlements and accrued interest by HKSCC, HKSCC will cause such cash consideration to be credited to the Participants concerned in the same way as described in Section 8.15.2(iii). Participants other than Investor Participants will be informed when cash consideration are received by HKSCC via the Broadcast Message Service through their CCASS Terminals and Participant Gateways;
- (viii) upon principal entitlements and accrued interest where applicable, being made available by HKSCC to Participants, the relevant Participants' daily activity statements or Entitlement Statements, as the case may be, will be updated; and



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- (ix) any disbursement charges will be charged back to the Participants concerned on a pro-rata basis relating to the number of eligible bonds so held/redeemed by/debited from the relevant Participants, or in such other manner as HKSCC considers fair and appropriate upon distribution of the cash by HKSCC.

### **8.17.3 Bond redemption - put**

As stated in the issue documents, bond Issuers may specify a put period during which bond holders are given the rights to redeem the bonds. In such event, the following procedures will usually apply:

- (i) Participants with bonds credited to their Stock Accounts may at any time during the relevant redemption periods (subject to paragraph (iii) below) input redemption instructions to HKSCC via their CCASS Terminals in the case of Participants other than Investor Participants, or via the CCASS Phone System, the CCASS Internet System or the Customer Service Centre in the case of Investor Participants. Participants may cancel their redemption instructions on the same day;
- (ii) if no redemption instruction is received by HKSCC from a Participant by the stated time-limit, HKSCC will not take any action in respect of that Participant's bonds held in CCASS;
- (iii) for bonds that are subject to deadlines with regard to qualification to participate in interest payment accruing to such bonds, HKSCC will not accept redemption instructions from the last registration day before book-close date (or the CCASS Record Date imposed by HKSCC for the determination of interest entitlement) until in the case of Investor Participants, two Business Days preceding the last day of book-close period (or until two Business Days preceding the interest payment day, whichever is later) and in the case of Participants other than Investor Participants, the Business Day next preceding the last day of book-close period (or until the Business Day next preceding the interest payment day, whichever is later);
- (iv) upon receipt of valid instructions from Participants to redeem, HKSCC will debit the relevant number of eligible bonds from the relevant Stock Accounts of the Participants and, in the case of Participants other than Investor Participants, the relevant principal and accrued interest will be recorded as receivable items in the "Bond Redemption" section in their respective Entitlement Statements;
- (v) based on the instructions of Participants, HKSCC will arrange for the redemption of the relevant number of eligible bonds;
- (vi) upon receipt of the cash under the redemption, HKSCC will normally cause payments to be made in the same way as described in section 8.16.2(ii);
- (vii) upon distribution of the cash or securities received by HKSCC under redemption, the activity statements of Investor Participants and the Entitlement Statements of Participants other than Investor Participants will be updated; and
- (viii) any disbursement charge will be charged back to the Participants concerned on a pro-rata basis relating to the number of bonds each Participant has given instructions to redeem, or in such other manner as HKSCC considers fair and appropriate upon distribution of the cash or securities by HKSCC.

### **8.17.4 Redemption of Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments**

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For redemption of Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments, the following procedures will usually apply:

- (i) a Participant's redemption rights will be determined by reference to the relevant Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments credited to its Stock Account on the date on which the entitlement of HKSCC to redemption monies is determined (usually one Business Day before the maturity or other redemption date);
- (ii) the relevant announcement will be contained in the "Enquire Announcement Information" function via CCASS Terminals and also in the i) Corporate Announcement Master Data File; ii) Corporate Announcement Maintenance Activities Report; and iii) "Book-Close Reminder" section of the Entitlement Statement normally seven Business Days before the date on which the entitlement of HKSCC to redemption monies is determined;
- (iii) on the date on which the entitlement of HKSCC to redemption monies is determined (usually one Business Day before the maturity or other redemption date, as the case may be), all the relevant Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments will be debited from Stock Accounts of the Participants concerned and the corresponding redemption monies will be recorded as receivable in the "Bond Redemption" sections of the Entitlement Statements of Participants other than Investor Participants;
- (iv) upon receipt of the redemption monies by HKSCC, HKSCC will cause the monies to be credited to Participants in the same way as described in Section 8.15.2(iii). Participants will be informed when monies is received by HKSCC via the Broadcast Message Services through their CCASS Terminals and Participant Gateways; and
- (v) upon redemption monies being made available by HKSCC to Participants other than Investor Participants, their Entitlement Statements will be updated.

#### **8.17.5 Other procedures**

Participants will be advised of other relevant procedures to be followed/observed with respect to redemptions of eligible Debt Securities on a case by case basis.

### **8.17A REDEMPTION OF SHARES**

#### **8.17A.1 General**

This Section is concerned with the redemption of shares of a company on specific redemption days. The conditions and general procedures for such redemption of shares will be made pursuant to and be governed by the constitutional documents and prospectus of the company, and the general law provided that prior arrangement with HKSCC has been established.

#### **8.17A.2 Redemption of shares**

The following procedures will usually apply:

- (i) Participants wishing to redeem shares must give redemption requests to HKSCC in such manner as HKSCC shall from time to time require. HKSCC may require Participants to give redemption requests by inputting redemption orders via their CCASS Terminals and/or submitting to HKSCC duly completed notice of redemption in the form prescribed by HKSCC. Normally, redemption requests (including redemption orders and/or redemption forms) must be received by HKSCC within a pre-determined time

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period before a redemption day specified by the company. Redemption requests received outside the pre-determined time period will be treated as redemption requests for the next following redemption day.

- (ii) Pursuant to the redemption requests, HKSCC will be authorized to withdraw shares from designated Stock Accounts of redeeming Participants before 3:45 p.m. on the second Business Day after the date of receipt of redemption requests by HKSCC.
- (iii) Following receipt of redemption requests, debit entries representing CCASS fees, if applicable, will be posted to Participants' Money Ledgers on the day when redeemable shares are to be withdrawn from Participants' designated Stock Accounts.
- (iv) Redemption requests once submitted to HKSCC may not be withdrawn except under special circumstances as specified in the constitutional documents and/or prospectus of the relevant company or with the consent of the company.
- (v) If there are insufficient shares in the Participant's designated Stock Account for withdrawal, the relevant redemption request of such Participant will be rejected by HKSCC and the Participant will be notified of such rejection by fax or in any other manner as decided by HKSCC. There may be other circumstances set out in the constitutional documents and/or prospectus of the relevant company requiring or entitling the company or its agent to reject redemption requests. When a redemption request is rejected due to insufficient shares, HKSCC may, on behalf of the redemption agent, debit a handling fee from the relevant Participant's Designated Bank Account and any CCASS fee collected, if applicable, will not be refunded.
- (vi) HKSCC will make available the withdrawn shares to the redemption agent in due course for custody purpose until the relevant redemption day.
- (vii) If the redemption proceeds are received by HKSCC at or before 3:45 p.m. on a Business Day, HKSCC will usually cause the redemption proceeds to be credited to the relevant Participants' Money Ledgers on the same day. Otherwise, HKSCC will credit the redemption proceeds on the following Business Day. Participants other than Investor Participants will be informed when the redemption proceeds are received by HKSCC, via the Broadcast Message Service available through their CCASS Terminals and Participant Gateways or in any other manner as decided by HKSCC.
- (viii) Upon redemption monies being made available by HKSCC to Participants, the Entitlement Statements of the relevant Participants other than Investor Participants and the activity statements of the relevant Investor Participants will be updated with the payment of the redemption proceeds.

### **8.17A.3 Other procedures**

HKSCC may agree with companies that offer redemption of their shares on the redemption procedures to be followed/observed by the Participants different from and/or in addition to the procedures described in Section 8.17A.2 above. Participants will be advised of the applicable procedures to be followed/observed with respect to redemption of shares of the relevant companies on a case by case basis.

## **8.18 [Repealed]**

## **8.18A ELECTRONIC APPLICATION INSTRUCTIONS FOR NEW ISSUE SHARES**

### **8.18A.1 Use of FINI**

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Only Participants accepted by HKSCC to use FINI in their capacity as FINI CP Users may submit Electronic Application Instructions for New Issue Shares to HKSCC via FINI. The use of FINI by a Participant shall be subject to the FINI Terms and Conditions and such eligibility criteria as HKSCC may from time to time prescribe.

Each of the following constitutes acceptance of the FINI Terms and Conditions by a Participant, and the Participant will be deemed to have read and accepted the FINI Terms and Conditions and agreed to be bound by the FINI Terms and Conditions as a “FINI User” (as defined in the FINI Terms and Conditions):

- (i) use of the Participant’s access credentials to access FINI; or
- (ii) any continued use of FINI via the Participant’s access credentials.

The Participants shall also comply with the applicable procedures under the FINI User Guide and such other conditions or requirements which may from time to time be stipulated by HKSCC and notified to the Participants by way of circulars or notifications on FINI.

#### **8.18A.2 General – application instruction**

A Participant which is a FINI CP User may give Electronic Application Instructions for New Issue Shares to HKSCC via FINI (a) to cause the Nominee to apply for New Issue Shares on its behalf and (b) to arrange payment and (where applicable) refund of application money. Where any such Electronic Application Instructions for New Issue Shares are given by a Participant to make application for New Issue Shares, the Participant is deemed to have agreed to the following:-

- (i) Electronic Application Instructions for New Issue Shares given by the Participant must be for the minimum amount or one of the permitted multiple amounts of New Issue Shares specified in the Prospectus;
- (ii) any application made by the Nominee on behalf of the Participant pursuant to Electronic Application Instructions for New Issue Shares given by the Participant is irrevocable for the same period as applications are irrevocable (by contract or statute) under the New Issue;
- (iii) HKSCC shall consolidate all Electronic Application Instructions for New Issue Shares from Participants and shall, having excluded instructions which will or may result in multiple applications or suspected multiple applications (to which paragraph (ix) below will apply), cause the Nominee to apply for the number of consolidated New Issue Shares as nominee on behalf of those Participants who have given Electronic Application Instructions for New Issue Shares to HKSCC and the Nominee shall be authorized to submit an application as agent for Participants;
- (iv) HKSCC is authorized to generate FINI CPI via FINI to the Participant’s Designated Bank to debit its DB Nominee Account and to credit the account of the receiving bank appointed by the Issuer with payment in full for the New Issue Shares (and all

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other amounts due, including brokerage, transaction levies and the Exchange's trading fee) in respect of which its application is successful;

- (v) the Participant undertakes and agrees with HKSCC to accept the allocation to it of the New Issue Shares in respect of which it has given Electronic Application Instructions or any lesser number allocated to it;
- (vi) the Participant undertakes and confirms to HKSCC that it has not applied for or taken up any shares in any placing of shares in the capital of the Issuer or any placing of Units or otherwise participated in any such placing;
- (vii) the Participant declares that its Electronic Application Instructions for New Issue Shares to HKSCC to cause the Nominee to apply for New Issue Shares on its behalf will result in there being only one application for or in respect of New Issue Shares made by it or on its behalf (and only one application for or in respect of New Issue Shares intended to be made by it or on its behalf) to benefit it or the person for whose benefit it gave the electronic instructions;
- (viii) the Participant agrees that the above declaration in para (vii) will be relied upon by the Issuer in deciding whether or not to make any allotment of New Issue Shares in response to the application made by the Nominee on its behalf;
- (ix) the Participant agrees that, if (a) it has made multiple applications or is suspected of having made multiple applications or if more than one application is made for its or any of its clients' benefit, or (b) the account of the Issuer's receiving bank is not credited with the full payment required to be made by the Participant for the New Issue Shares (including brokerage, transaction levies and the Exchange's trading fee) in respect of which its application is successful, its application may be rejected in its entirety or in part and the number of New Issue Shares applied for by the Nominee shall be automatically reduced by the number of New Issue Shares in respect of which the Participant's application has been rejected. The Participant further agrees that if it does not fully comply with its FINI PFR or no confirmation is received from its Designated Bank that its FINI PFR has been fully complied with, its application for New Issue Shares will, unless otherwise determined by HKSCC, be rejected in its entirety;
- (x) the Participant agrees that, for the purposes of (a) determining whether a Participant has made multiple applications or an application has been made for its benefit and (b) allocating New Issue Shares, the Nominee shall not be treated as an applicant and the Issuer may treat the Participant who gave the Electronic Application Instruction for New Issue Shares and/or its clients as an applicant;
- (xi) the Participant authorizes the Issuer, in respect of the New Issue Shares allocated to it, to issue certificates in the name of the Nominee and to deliver the same to the CCASS Depository service counter before the time specified by HKSCC or the

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Nominee on the day the certificates are to be despatched in accordance with the Prospectus;

- (xii) in the case of a refund of application money, brokerage, transaction levies and the Exchange's trading fee to the Participant, no interest will be paid and the Participant authorizes the Issuer and HKSCC to make payment to effect the refund on the Business Day stated in the Prospectus;
- (xiii) the Participant declares that it has read the terms and conditions and application procedures set out in the Prospectus and agrees to be bound by them;
- (xiv) the Participant confirms that, in giving an Electronic Application Instruction for New Issue Shares it has only relied on the information and representations in the Prospectus and it agrees that the Issuer and the other parties involved in the New Issue are liable only for the information and representations contained in the Prospectus;
- (xv) in making Electronic Application Instructions for New Issue Shares which are H Shares, the Participant additionally agrees as follows:
  - (a) it agrees with the Issuer, for itself and for the benefit of each shareholder of the Issuer (and so that the Issuer will be deemed by its acceptance in whole or in part of the Participant's application to have agreed, for itself and on behalf of each shareholder of the Issuer, with the applicant) to observe and comply with the applicable Company Law, the Special Regulations and the Articles of Association of the relevant Issuer;
  - (b) it agrees with the Issuer, for itself and for the benefit of each shareholder of the Issuer and each director, supervisor, manager and other senior officer of the Issuer (and so that the Issuer will be deemed by its acceptance in whole or in part of the Participant's application to have agreed, for itself and on behalf of each shareholder of the Issuer and each director, supervisor, manager and other senior officer of the Issuer, with the applicant) to refer all differences and claims arising from the Articles of Association of the Issuer or any rights or obligations conferred or imposed by the applicable Company Law or other relevant laws and administrative regulations concerning the affairs of the Issuer to arbitration in accordance with the Articles of Association of the Issuer, that any award made in such arbitration shall be final and conclusive and that the arbitration tribunal may conduct hearings in open session and publish its award;
  - (c) it agrees with the Issuer (for itself and for the benefit of each shareholder of the Issuer) that H Shares in the Issuer are freely transferable by their holders; and
  - (d) it authorizes the Issuer to enter into a contract on behalf of the applicant

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with each director and officer of the Issuer whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Issuer;

- (xvi) HKSCC is authorized to transfer the personal information and application details submitted by the Participant to the Issuer and its appointed agents, regulatory or governmental bodies; and
- (xvii) HKSCC and the Nominee (a) are authorized by the Participant on its behalf to give and make such undertakings, confirmations, understandings, declarations and agreements as are required to be given and made by or on behalf of the Participant in accordance with the terms and conditions of any New Issue or its associated Prospectus, including in respect of the matters described above in this Section 8.18A.2, (b) accept no liability to the Participant arising out of or in connection with any such undertakings, confirmations, understandings, declarations or agreements and (c) will be indemnified by the Participant in respect of any costs, losses, liabilities, expenses, damages, actions, suits or proceedings which they suffer or incur arising out of or in connection with any such undertakings, confirmations, understandings, declarations or agreements.

### **8.18A.3 Optional use of BCAN as a client identifier**

A Participant which is a FINI CP User may use BCAN as a client identifier when giving Electronic Application Instructions for New Issue Shares via FINI, in which case it must ensure (and, if the BCAN is assigned by the Participant's affiliate or client which is an intermediary (as defined in the Securities and Futures Ordinance) to its underlying client, procure such affiliate or intermediary client to ensure) that express prior written consent is obtained for the following:

- (i) the provision of the BCAN to HKSCC allowing HKSCC to retrieve the corresponding CID from the Exchange;
- (ii) HKSCC's processing and storage of the CID and transfer of the CID to the Issuer's share registrar to enable HKSCC and/or the Issuer's share registrar to verify that the client has not made any multiple applications for the relevant subscription for New Issue Shares and to facilitate balloting and settlement; and
- (iii) HKSCC's processing and storage of the CID and transfer of the CID to the Issuer, the Issuer's share registrar, the Commission, the Exchange and any other party involved in the New Issue for the purposes of processing the client's application for the relevant subscription for New Issue Shares, or any other purpose set out in the Prospectus.

The Participant must also ensure that it has incorporated appropriate provisions in its client agreements to allow it to submit Electronic Application Instructions for New Issue Shares on its clients' behalf and ensure that its clients have provided written consents to the use of their personal data in accordance with the personal information collection statement and other applicable terms and conditions set out in the Prospectus. If the Participant's client is an intermediary (as defined in the Securities and Futures Ordinance), the Participant shall

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require such intermediary to incorporate appropriate provisions in its client agreement to allow the intermediary to submit application for New Issue Shares (whether by the intermediary itself or through the Participant) on its clients' behalf and ensure that its clients have provided written consents to the use of their personal data in accordance with the personal information collection statement and other applicable terms and conditions set out in the Prospectus.

#### **8.18A.4 Designated Bank and FINI PFR**

A 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.

The Participant shall enter into appropriate arrangement with its Designated Bank for the operation of the DB Nominee Account (including, without limitation, the direct debit authorizations for giving effect to instructions generated by FINI to debit and/or credit such DB Nominee Account) to facilitate the Participant's compliance with the applicable FINI PFR and money settlement obligations with respect to its Electronic Application Instructions for New Issue Shares. Without prejudice to the above, the Participant shall procure its Designated Bank to complete and submit such debit authorisations (including FINI CPIs) and authorisations to disclose information as HKSCC may prescribe from time to time to HKSCC. Such debit authorisations and authorisations to disclose information include FINI CPIs. By giving this debit authorisation (including FINI CPIs), the Participant's Designated Bank shall accept debit instructions from HKSCC by way of FINI CPIs in order to effect CHATS payment for FINI money settlement in accordance with Section 8.18A.6.

To determine the FINI PFR applicable to a Participant in respect of a New Issue, the Participant will be given the option to opt in to using a "compressed" pre-funding requirement mechanism on FINI. Once opted in, and until opted out by the Participant, the Participant's FINI PFR in respect of each future New Issue will be calculated on the basis of an amount not exceeding the value of the entire public offer tranche of the New Issue, assuming the highest tier of clawback is triggered (where applicable) in accordance with the Prospectus, instead of the amount representing the total sum of all its applications multiplied by the highest possible price of the offer price range stipulated in the Prospectus, provided that if the opt in request is made after the commencement of the application period in respect of a New Issue, a "compressed" pre-funding requirement mechanism will not apply to such New Issue and the opt in request will only take effect in respect of each future New Issue until opted out by the Participant. The Participant's FINI PFR will be made available to the Participant and its Designated Bank on FINI.

In respect of each New Issue for which Electronic Application Instructions for New Issue Shares have been submitted by a Participant, the Participant's Designated Bank will be required to confirm that there are sufficient funds available in the DB Nominee Account for the Participant to comply with its FINI PFR by sending a response message to HKSCC via FINI in accordance with the procedures set out in the FINI User Guide.



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**8.18A.5 Procedures**

- (i) Information on New Issue Shares available for electronic application is made available to Participants which are FINI CP Users through the “IPO Reference Data” function of the relevant IPO card in FINI;
- (ii) Participants which are FINI CP Users may input Electronic Application Instructions for New Issue Shares via FINI for their clients and themselves and the Participants will be treated as those giving the application instructions;
- (iii) The quantity of New Issue Shares applied for by a Participant must be one of the acceptable quantities specified by the relevant Issuer in the Prospectus. HKSCC reserves the right to reject instructions to apply for any other quantities of New Issue Shares. The information as to the names, addresses, identification document numbers and number of New Issue Shares in respect of which Electronic Application Instructions for New Issue Shares are given will be transmitted to the registrar for balloting and processing of the application;
- (iv) In respect of application instructions, Participants which are FINI CP Users can input Electronic Application Instructions for New Issue Shares via FINI for making applications during the relevant application period on an approximately 24 hours basis subject to the FINI Terms and Conditions and the FINI User Guide. The latest time for inputting Electronic Application Instructions for New Issue Shares on the last application day is the deadline specified by the Issuer and notified to the Participants via FINI, which is usually 12:00 noon. Participants may cancel their Electronic Application Instructions for New Issue Shares at any time before the application deadline;
- (v) On the last application day, upon a Participant’s FINI PFR being made available to the Participant on FINI, the Participant shall procure its Designated Bank to confirm, by sending a confirmation response message to HKSCC via FINI before the prescribed deadline, that there are sufficient funds available in the DB Nominee Account for the Participant to meet its FINI PFR. In case of insufficient funds during the pre-funding window on FINI, a Participant may in exceptional circumstances be permitted by HKSCC to amend and reconfirm its application list via FINI. At the cut-off time as prescribed by HKSCC, a missing or negative confirmation on the Participant’s FINI PFR from the Designated Bank will invalidate and remove the Participant’s entire application list in respect of the relevant New Issue and the Participant will be deemed to have failed to comply with its FINI PFR, in which case HKSCC may take disciplinary action against the Participant;
- (vi) On the price determination day, upon completion of balloting and pricing, HKSCC will send FINI CHATS Payment Instructions to each Participant’s Designated Bank through FINI to transfer such amount of the Participant’s application monies as shall represent the value of New Issue Shares allotted to the Participant through the ballot at the final offer price (and all other amounts due on the application, including

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brokerage, transaction levies and the Exchange trading fee) from its DB Nominee Account to the Issuer's account with its receiving bank(s) to settle such Participant's payment obligation in accordance with the procedures set out in Section 8.18A.6;

- (vii) Upon receipt of file(s) containing information as to the identity of Participants to whom New Issue Shares have been allocated and the number of New Issue Shares allocated to each of them, HKSCC will cause such securities to be credited to the Stock Accounts of the relevant Participants. Upon distribution of securities by HKSCC to such Participants, the Statement of Stock Movement Reports of such Participants will be updated;
- (viii) Upon cancellation of the New Issue or any other circumstances requiring refunds of application monies as provided in the Prospectus, HKSCC will issue FINI CHATS Payment Instruction to arrange for the payment of refunds to the relevant Participants' Designated Bank Account;
- (ix) Participants may refer to the FINI User Guide for details with respect to enquiry of any authorized and pending application instructions, application maintenance activities and allotment results; and
- (x) The amounts of fees for the handling of application instructions (see Section 21.5) will be collected from Participants through the generation of EPIs by HKSCC.

#### **8.18A.6 FINI money settlement**

The following is a brief description of the procedures relating to FINI CPIs issued by HKSCC for Electronic Application Instructions of New Issue Shares:

- (i) On the price determination day, upon completion of balloting and pricing, HKSCC will send FINI CHATS Payment Instructions to each Participant's Designated Bank through FINI to transfer such amount of the Participant's application monies as shall represent the value of the New Issue Shares allotted to the Participant through the ballot at the final offer price (and all other amounts due on the application, including brokerage, transaction levies and the Exchange trading fee) from its DB Nominee Account to the Issuer's account with its receiving bank(s) to settle such Participant's payment obligation for the allotted shares;
- (ii) Each Designated Bank to which FINI CHATS Payment Instructions have been issued in respect of any Participants may retrieve the relevant FINI Report on FINI CPIs via FINI during such period as may be specified in the FINI User Guide;
- (iii) Each Designated Bank shall, based on the FINI CHATS Payment Instructions generated by FINI, effect CHATS payments on behalf of the relevant Participants in respect of money settlement obligations of such Participants in accordance with the requirements as prescribed in the FINI User Guide;

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- (iv) The status of FINI CHATS Payment Instructions can be enquired online via FINI (where applicable). Participants which are FINI CP Users and their Designated Banks can access, via FINI, the relevant FINI Report on FINI CPIs to obtain details of the FINI CHATS Payment Instructions;
  - (v) After FINI money settlement, each Designated Bank of paying Participants may retrieve the relevant FINI Report from FINI; and
  - (vi) Relevant control reports relating to the payments made, received or effected, or to be made, received or effected by Participants for whom a Designated Bank acts can also be retrieved from FINI. For further details, please refer to the FINI User Guide.

HKSCC acts as facilitator in relation to payment and (where applicable) refund of application monies between Participants and Issuers in relation to Electronic Application Instructions for New Issue Shares. It is the responsibility of the Participants to ensure that their Designated Banks act according to the FINI CHATS Payment Instructions issued in relation to the New Issues and make payments by the deadlines determined by HKSCC from time to time.

In case of any default or delay in any payment in respect of a Participant's Electronic Application Instructions of New Issue Shares, HKSCC may take such disciplinary action against the concerned Participant as it thinks fit in accordance with the Rules.

#### **8.18A.7 Other Procedures**

HKSCC may agree with the relevant Issuer the relevant procedures to be followed or observed by Participants which may be different from and/or in addition to the procedures described in Sections 8.18A.5 and 8.18A.6 above. Participants will be advised of other relevant procedures to be followed or observed with respect to the Electronic Application Instructions for New Issue Shares on a case by case basis via FINI.

#### **8.18A.8 New Issue Brokerage**

Without prejudice to the money settlement service under the Rules, Clearing Participants may, subject to the Rules, receive into their General Purpose Designated Bank Accounts New Issue Brokerage passed on to them.

Upon receiving a written request from an Issuer informing HKSCC that the New Issue Brokerage is to be passed on to the Clearing Participants' General Purpose Designated Bank Accounts, 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 Clearing Participants to the Issuer and/or its agent to facilitate the payment of 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. Notwithstanding anything contained in the Rules, HKSCC is deemed to have been authorised by the Clearing

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Participants to disclose in such manner as HKSCC may from time to time determine their General Purpose Designated Bank Accounts' information to the Issuers and/or their agents.

The role of HKSCC in relation to the payment of New Issue Brokerage into the General Purpose Designated Bank Accounts of Clearing Participants is limited to the provision of information relating to the General Purpose Designated Bank Accounts to the Issuer and/or its agent subject to the Rules to facilitate the payment. HKSCC will not be responsible for any discrepancy, error, delay, failure or default of the Issuer and/or its agent in the payment or credit or passing on of the New Issue Brokerage. In case of any such discrepancy, error, delay, failure or default, the Clearing Participant should contact the Issuer or its agent direct.

For the avoidance of doubt, all New Issue Brokerage paid into the General Purpose Designated Bank Accounts of the 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.

## **8.19 TENDER INSTRUCTIONS FOR EXCHANGE FUND NOTES, GOVERNMENT BONDS, SPECIFIED INSTRUMENTS AND CMU INSTRUMENTS**

**8.19.1** A Participant may electronically instruct HKSCC to (a) tender for Exchange Fund Notes, Specified Instruments or apply for Government Bonds, CMU Instruments on its behalf and (b) arrange payment and, in the case of wholly or partially unsuccessful tenders or applications, refund of the tender money or application money. Refunds may also be made if the initial bid price for Exchange Fund Notes or Specified Instruments is greater than the final accepted price or when the application price of Government Bonds or CMU Instruments is greater than the subscription price.

Where Tender Instructions for Exchange Fund Notes or Specified Instruments are given, the Participant is deemed to have agreed to the following:-

- (i) Tender Instructions given by the Participant must be for the minimum amount or one of the permitted multiple amounts specified in the terms of issue of the Exchange Fund Notes or Specified Instruments;
- (ii) HKSCC is authorized to debit the appropriate tender money, including brokerage (if applicable), transaction levy (if applicable) and the Exchange's trading fee (if applicable), to cause these amounts to be paid from the Participant's Designated Bank Account by DDI;
- (iii) in case of a refund of tender money, including brokerage (if applicable), transaction levy (if applicable) and the Exchange's trading fee (if applicable), to the Participant, no interest will be paid;
- (iv) the Participant declares that it has read the terms of the issue of the Exchange Fund Notes or Specified Instruments and all documents governing the issue of and tender for the Exchange Fund Notes or Specified Instruments and agrees to be bound by them;
- (v) the Participant undertakes and agrees with HKSCC to accept the allocation to it of the Exchange Fund Notes or Specified Instruments in respect of which a tender has been made on its behalf or any lesser number allocated to it; and
- (vi) the Participant undertakes to be bound by all market regulations that may be specified from time to time by the HKMA in relation to Exchange Fund Notes or Specified

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Instruments and the provisions in the EFCS Reference Manual and similar documents.

Where Tender Instructions for Government Bonds or CMU Instruments are given, the Participant is deemed to have agreed with and confirmed to HKSCC the following:

- (i) Tender Instructions given by the Participant to HKSCC to apply for Government Bonds or CMU Instruments on its behalf must be for the minimum amount or one of the permitted multiple amounts specified in the terms and conditions of issue of Government Bonds or the CMU Instruments;
- (ii) the Participant authorizes HKSCC to debit the appropriate application money, including brokerage (if applicable), transaction levy (if applicable) and the Exchange's trading fee (if applicable), to cause these amounts to be paid from the Participant's Designated Bank Account by DDI and the Participant undertakes to ensure that the full amount of the application money is available in its Designated Bank Account;
- (iii) in the case of a refund of the whole or an appropriate portion of the application money, including brokerage (if applicable), transaction levy (if applicable) and the Exchange's trading fee (if applicable), to the Participant, no interest will be paid;
- (iv) (in the case of Government Bonds) the Participant declares that it has read the terms of the issue of the Government Bonds and all documents governing the issue of and application for the Government Bonds and agrees to be bound by them;
- (v) (in the case of CMU Instruments) the Participant declares that it has read the terms and conditions of the issue of the CMU Instruments, the terms and conditions and application procedures set out in the Prospectus and all documents governing the issue of and application for the CMU Instruments, and agrees to be bound by them;
- (vi) the Participant undertakes and agrees with HKSCC to accept the allocation to it of the Government Bonds or CMU Instruments applied for on its behalf or any lesser number allocated to it;
- (vii) the Participant undertakes to be bound by all market regulations that may be specified from time to time by the HKMA in relation to the Government Bonds or the Issuer in relation to the CMU Instruments and the provisions in the CMU Manual as referred to in Rule 703 and similar documents where applicable; and
- (viii) the Participant other than an Investor Participant agrees to check if any of its clients has made multiple applications and satisfied the relevant eligibility criteria and will reject as required under the terms and conditions of the issue of the Government Bonds or the CMU Instruments or any other document governing the issue of and application for the Government Bonds or the CMU Instruments.

#### **8.19.2 Procedures**

The following procedures will usually apply in relation to Tender Instructions for Exchange Fund Notes or Specified Instruments:

- (i) the relevant announcements will be contained in the "Enquire Authorized Tender Announcement" function via CCASS Terminals and also posted under the "New Issue Reminder (Tendering)" section in the New Issues Entitlement Report of Participants (other than Investor Participants) following the announcements. The relevant announcements are made available to Investor Participants through the Tender Enquiry function of the CCASS Phone System and the "Enquire Tender

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Announcement” function of the CCASS Internet System;

- (ii) Participants other than Investor Participants may input Tender Instructions via their CCASS Terminals for their clients and themselves. Tender Instructions may be given by Investor Participants either via the CCASS Phone System or the CCASS Internet System or submitted by Investor Participants to the Customer Service Centre;
- (iii) Participants other than Investor Participants can input Tender Instructions on any Business Day or Saturday (unless it is a public holiday) commencing from four Business Days before the tender day from 9:00 a.m. (if such day is the input commencement date) or 8:00 a.m. (if otherwise) to 7:00 p.m., Monday to Friday or 1:00 p.m. on a Saturday, except as mentioned below. Investor Participants can input Tender Instructions on an approximately 24 hours basis commencing from 9:00 a.m. on the input commencement date. Tender Instructions must be provided at the latest two Business Days before the tender day and not later than 3:45 p.m.. Participants may cancel their Tender Instructions at any time before such time-limit;
- (iv) where the bids are non-competitive, Participants need not input the bid price;
- (v) debit entries for the appropriate tender moneys, including brokerage (if applicable), transaction levy (if applicable) and the Exchange’s trading fee (if applicable), will be automatically paid from Participants’ Designated Bank Accounts by DDI on the Business Day which is two Business Days before the tender day. Where the bids are non-competitive, the amounts so paid will be based on the initial bid price specified by the issuer. Once the final accepted price is announced, HKSCC will make adjustments in respect of the tender moneys in the manner described below;
- (vi) notwithstanding Section 8.19.2(iii) above, a Participant may also cancel a Tender Instruction on the Business Day or the Saturday (unless it is a public holiday) before the tender day at any time not later than 3:45 p.m. (Monday to Friday) or 1:00 p.m. (Saturday) and re-input a new Tender Instruction in its place provided that such new Tender Instruction is for a small quantity of Exchange Fund Notes or Specified Instruments. Any excess tender moneys collected by HKSCC will be refunded to the relevant Participants by DCI;
- (vii) based on the Tender Instructions of Participants, HKSCC will apply for Exchange Fund Notes or Specified Instruments on behalf of the Participants on the tender day;
- (viii) upon receipt of the results of any tender for Exchange Fund Notes or Specified Instruments from the CMU, HKSCC will perform a preliminary allocation at about 3:45 p.m. on the tender day. Where the bids are non-competitive and the full amount tendered by HKSCC on behalf of Participants has not been allocated, the allocated Exchange Fund Notes or Specified Instruments will normally be allocated between tendering Participants pro rata to the amounts tendered on their behalf, with the results rounded down to the nearest multiple of HK\$50,000. In the case of an instruction to tender for a single denomination of Exchange Fund Notes or Specified Instruments, HKSCC will allocate through ballot. Fractions of Exchange Fund Notes or Specified Instruments will not be allocated. Where the bids are competitive, the Exchange Fund Notes or Specified Instruments, will normally be allocated to Participants in descending order of price bid from the highest to the lowest accepted price in accordance with the arrangements specified in the terms of issue of the Exchange Fund Notes or Specified Instruments. Accepted tenders which are above the lowest accepted price will be allocated in full. Accepted tenders which are at the lowest accepted price may be allocated in full or in part only. In the case

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of allocation in part, a calculation will be made of the amount of Exchange Fund Notes or Specified Instruments available for allocation at the lowest accepted price as a percentage (the "pro-rata percent") of the total amount of Exchange Fund Notes or Specified Instruments applied for at that price. As far as possible the pro-rata percent will be applied to the amount of Exchange Fund Notes or Specified Instruments tendered for by each Participant at the lowest accepted price and the result rounded down to the nearest multiple of HK\$50,000. HKSCC will make allocations based on such calculations or in such other manner as is considered fair and appropriate by HKSCC;

- (ix) HKSCC will refund excess tender moneys to the relevant Participants by DCI at the end of the tender day if the tender is unsuccessful in whole or in part;
- (x) where the bids for Exchange Fund Notes or Specified Instruments are non-competitive and the initial bid price is greater than the final accepted price, HKSCC will refund tender moneys to the relevant Participants at the end of the tender day or as soon as practicable after the final accepted price is announced by the issuer. Where the bids for Exchange Fund Notes or Specified Instruments are non-competitive and the initial bid price is lower than the final accepted price, the shortfall will be immediately due or payable by the relevant Participants to HKSCC and HKSCC will collect it from the relevant Participants by DDI on the tender day. Unless otherwise agreed by HKSCC, title to the Exchange Fund Notes or Specified Instruments shall only pass to the relevant Participants when HKSCC is satisfied that it has received payment in full. Accordingly, until that time Participants may not transfer or otherwise deal with any of the Exchange Fund Notes or Specified Instruments. If a Participant does not pay any shortfall described above, without prejudice to any other rights HKSCC may have, HKSCC may but shall not be obliged to transfer to HKSCC's account and/or dispose (on or off the Exchange) of any or all Exchange Fund Notes or Specified Instruments allocated to the Participant and may apply the disposal proceeds to pay the amount due by the Participant to HKSCC together with interest for late payment and transaction costs. Any monies remaining after such application shall be refunded to the Participant. No Participant submitting a non-competitive bid shall object on any grounds to the final accepted price or its payment by HKSCC;
- (xi) upon receipt of the final allotment result file from the CMU on the Business Day following the tender day confirming allotment of the Exchange Fund Notes or Specified Instruments to HKSCC, HKSCC will cause the Exchange Fund Notes or Specified Instruments to be credited to the Stock Accounts of the relevant Investor Participants and to the Entitlement Accounts of the relevant Participants other than Investor Participants at the end of the same day. Upon distribution of allocated notes by HKSCC, the Stock Movement Reports of the relevant Participants other than Investor Participants and the activity statements of the relevant Investor Participants will be updated;
- (xii) Investor Participants can enquire about details of their Tender Instructions via the Tender Instruction Done Enquiry function of the CCASS Phone System or the "Enquire Tender Instruction" function of the CCASS Internet System. Participants other than Investor Participants can enquire about details of their Tender Instructions through the Enquire Tender Instructions function of CCASS Terminals. Tender Instructions received from Investor Participants will be recorded in their activity statements. All Tender Instructions maintenance activities performed by Participants other than Investor Participants will be recorded in the "Tendering" section of the New Issues Application Input Activities Report; and

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- (xiii) Participants can enquire about tender results through the CCASS Phone System, the CCASS Internet System, CCASS Terminals. These results will be available from the date of receipt of tender results by HKSCC to the day which is 10 Business Days after the refund date.

The following procedures will usually apply in relation to Tender Instructions for Government Bonds or CMU Instruments: -

- (i) the relevant announcements will be contained in the "Enquire Authorized Tender Announcement" function via CCASS Terminals and also posted under the "New Issue Reminder (Tendering)" section in the New Issues Entitlement Report of Participants (other than Investor Participants) following the announcements. The relevant announcements are made available to Investor Participants through the Tender Enquiry function of the CCASS Phone System and the "Enquire Tender Announcement" function of the CCASS Internet System;
- (ii) Participants other than Investor Participants may input Tender Instructions via their CCASS Terminals for their clients and themselves. Tender Instructions may be given by Investor Participants either via the CCASS Phone System or the CCASS Internet System or submitted by Investor Participants to the Customer Service Centre;
- (iii) Participants other than Investor Participants can input Tender Instructions on any Business Day or Saturday (unless it is a public holiday) during the subscription period from 9:00 a.m. (if such day is the input commencement date) or 8:00 a.m. (if otherwise) to 7:00 p.m., Monday to Friday or 1:00 p.m. on a Saturday, except as mentioned below. Investor Participants can input Tender Instructions on an approximately 24 hours basis commencing from 9:00 a.m. on the input commencement date. The latest time for inputting Tender Instructions for Government Bonds and CMU Instruments is 2:00 p.m. on the closing date of the subscription period, or at such other period or time as specified in the terms of the issue of the Government Bonds or the Prospectus of the CMU Instruments;
- (iv) debit entries for the appropriate application moneys, including brokerage (if applicable), transaction levy (if applicable) and the Exchange's trading fee (if applicable), will be automatically paid from Participants' Designated Bank Accounts by DDI on the closing date of the subscription period. The amounts so paid will be based on the application price specified by the issuer. Once the subscription price is announced, HKSCC will make adjustments in respect of the application moneys in the manner described below;
- (v) based on the Tender Instructions of Participants, HKSCC will apply for Government Bonds or CMU Instruments on behalf of the Participants on the 2nd Business Day after the closing date of the subscription period or such other date and time as specified by the HKMA or the Issuer or its agent or arranger;
- (vi) upon receipt of the allotment results of any application for Government Bonds or CMU Instruments from the HKMA, the Issuer or its agent or arranger normally on the 3rd Business Day following the closing date of the subscription period, HKSCC will update the allotment result in CCASS at about 3:45 p.m. on the same day. HKSCC will refund excess application moneys to the relevant Participants by DCI on the same day or as soon as practicable if the application is unsuccessful in whole or in part;
- (vii) where the application price is greater than the subscription price, HKSCC will refund application moneys to the relevant Participants on the date upon receipt of the



allotment results or as soon as practicable. Where the application price is lower than the subscription price, the shortfall will be immediately due or payable by the relevant Participants to HKSCC and HKSCC will collect it from the relevant Participants by DDI on the date upon receipt of the allotment results or as soon as practicable. Unless otherwise agreed by HKSCC, interests in Government Bonds or CMU Instruments received by HKSCC will only pass to the relevant Participants after HKSCC is satisfied that it has received payment in full. Accordingly, until that time Participants may not transfer or otherwise deal with any of the Government Bonds or CMU Instruments. If a Participant does not pay any shortfall described above, without prejudice to any other rights HKSCC may have, HKSCC may but shall not be obliged to transfer to HKSCC's account and/or dispose (on or off the Exchange) of any or all Government Bonds or CMU Instruments allocated to the Participant and may apply the disposal proceeds to pay the amount due by the Participant to HKSCC together with interest for late payment and transaction costs. Any monies remaining after such application shall be refunded to the Participant. No Participant submitting an application for Government Bonds or CMU Instruments shall object on any grounds to the subscription price or its payment by HKSCC;

- (viii) upon receipt of the confirmation of the allotment of the Government Bonds or CMU Instruments to HKSCC by CMU, HKSCC will cause the Government Bonds or CMU Instruments to be credited to the Stock Accounts of the relevant Investor Participants and to the Entitlement Accounts of the relevant Participants other than Investor Participants at the end of the same day normally 4 Business Days following the closing date of the subscription period. Upon distribution of allocated Government Bonds or CMU Instruments by HKSCC, the Stock Movement Reports of the relevant Participants other than Investor Participants and the activity statements of the relevant Investor Participants will be updated;
- (ix) Investor Participants can enquire about details of their Tender Instructions via the Tender Instruction Done Enquiry function of the CCASS Phone System or the "Enquire Tender Instruction" function of the CCASS Internet System. Participants other than Investor Participants can enquire about details of their Tender Instructions through the Enquire Tender Instructions function of CCASS Terminals. Tender Instructions received from Investor Participants will be recorded in their activity statements. All Tender Instructions maintenance activities performed by Participants other than Investor Participants will be recorded in the "Tendering" section of the New Issues Application Input Activities Report; and
- (x) Participants can enquire about allotment results through the CCASS Phone System, the CCASS Internet System, CCASS Terminals. These results will be available from the date of receipt of allotment results by HKSCC to the day which is 10 Business Days after the refund date.

### **8.19.3 Other procedures**

HKSCC may agree with the HKMA, the Issuer or its agent the relevant procedures to be followed or observed by the Participants which may be different from and/or in addition to the procedures described in section 8.19.2 above. Participants will be advised of the applicable procedures to be followed/observed with respect to tendering for Exchange Fund Notes or Specified Instruments or application for Government Bonds or CMU Instruments on a case by case basis.

## **8.20 ELECTRONIC APPLICATIONS FOR THE ISSUE AND REDEMPTION OF UNITS AND BOOK-ENTRY DEPOSIT OR WITHDRAWAL OF UNITS**

### **8.20.1 General**

The procedures for the issue and redemption of Units in an Exchange Traded Fund, and the rights and obligations of Participants in respect of such issue and redemption, will be governed by the trust deed (including any other relevant constitutive document such as an instrument of incorporation, etc.) constituting the Exchange Traded Fund and the general law. The trust deed normally gives the manager or trustee of the Exchange Traded Fund the right to issue and holders of Units the right to redeem Units. Normally, Units may be issued against payment in cash and/or the transfer of underlying securities. Normally, Units are redeemed by the manager or trustee paying cash and/or transferring underlying securities to the redeeming holder of Units. Underlying securities (including but not limited to equities, debts, and derivative products) of Units may be Eligible Securities or non-Eligible Securities.

#### **8.20.2 Issue of Units**

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

- (i) Participants (other than Investor Participants) that wish to apply for Units must input Cash Creation Orders (if the Units are to be issued for cash) and/or In Kind Creation Orders (if the Units are to be issued for Eligible Securities, with a cash component, if any), in each case via their CCASS Terminals. Orders (which expression includes Cash Creation Orders and In Kind Creation Orders) must be in whatever minimum amounts and multiples thereof as specified. Normally, the times for input of such Orders will be 9:15 a.m. to 4:25 p.m. on any Business Day. However, the exact times and days will be determined by the manager or trustee of the relevant Exchange Traded Fund. The trust deeds constituting the Exchange Traded Fund may limit the number of Units which may be issued within a period or certain periods of time, for example, the trust deed constituting the Tracker Fund of Hong Kong limits the number of Units which may be issued in any quarter. For such Exchange Traded Fund, Participants may enquire via CCASS Terminals as to the number of the Units available for creation. When the limit of the Units available for creation has been reached, no Cash Creation Orders in respect of the Units of the relevant Exchange Traded Fund will be accepted. Orders which are at the accepted status shown on the CCASS screen will be deemed to have been accepted by the relevant manager or trustee provided that such an accepted order may still be unsuccessful or rejected in accordance with the relevant trust deed.
- (ii) Following receipt of Cash Creation Orders at accepted status, debit entries representing CCASS fees will be posted to Participants' Money Ledgers on the settlement date. Confirmation of acceptance of such Cash Creation Orders will normally be sent by HKSCC on behalf of the manager or trustee of the relevant Exchange Traded Fund via CCASS Terminals or in any other manner as decided by HKSCC. Participants must then submit to HKSCC a completed Creation of Units - Credit Authorization Form (Cash Application) (as set out in the CCASS Terminal User Guide for Participants) and/or other form or forms as specified by HKSCC from time to time for such purpose on the Business Day prior to the settlement date and remit the application monies and all applicable duties, charges and transaction fees via CHATS to HKSCC's designated bank accounts under advice to HKSCC at or before 1:00 p.m. on the relevant settlement date. The settlement date will normally be the date falling two Business Days after the date on which the Cash Creation Orders are accepted.
- (iii) Following receipt of In Kind Creation Orders at accepted status, debit entries representing CCASS fees will be posted to Participants' Money Ledgers on the

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settlement date. Confirmation of acceptance of such In Kind Creation Orders will normally be sent by HKSCC on behalf of the manager or trustee of the relevant Exchange Traded Fund via CCASS Terminals or in any other manner as decided by HKSCC. Participants must then submit to HKSCC a completed Creation of Units (In Kind Creation) - Debit and Credit Authorization Form (as set out in the CCASS Terminal User Guide for Participants) and/or other form or forms as specified by HKSCC from time to time for such purpose on the Business Day prior to the settlement date. Following receipt of such forms HKSCC will debit the Eligible Securities specified in them from the designated Stock Accounts of the Participants concerned after each Batch-settlement-run on the settlement date. Relevant Participants must remit the applicable cash component (if any) and all applicable duties, charges and transaction fees via CHATS to HKSCC's designated bank account under advice to HKSCC at or before 1:00 p.m. on the settlement date. The settlement date will normally be the date falling two Business Days after the date on which the In Kind Creation Orders are accepted.

- (iv) If HKSCC does not receive the relevant application monies (including any cash component) and all applicable duties, charges and transaction fees at or before 1:00 p.m., or the underlying Eligible Securities are not successfully debited from the designated Stock Account by the time immediately following the last Batch-settlement-run, on the settlement date, the relevant Orders will be rejected by HKSCC under advice to the relevant Participants by facsimile or in any other manner as decided by HKSCC. There may be other circumstances set out in the relevant trust deed requiring or entitling the manager or trustee of the Exchange Traded Fund to reject a request to issue Units. HKSCC shall make only one debit attempt after each Batch-settlement-run on the settlement date until the relevant Eligible Securities are transferred to HKSCC.
- (v) If a Cash Creation Order is unsuccessful or is rejected, the application monies received from the Participant giving the Order will be re-credited to its Money Ledger by HKSCC. If an In Kind Creation Order is unsuccessful or is rejected, the Eligible Securities debited from the Participant's designated Stock Account will be re-credited to its designated Stock Account by HKSCC. Any CCASS fee, if applicable, collected will not be refunded.
- (vi) If HKSCC receives certificates representing Units created or, in respect of Units issued in uncertificated form, written confirmation from the manager or trustee of the relevant Exchange Traded Fund confirming successful creation of the relevant number of Units at or before 3:45 p.m. on any Business Day, HKSCC will cause the Units to be credited to the Stock Accounts designated in the Debit and Credit Authorization Forms or the form(s) specified by HKSCC of the relevant Participants (other than Investor Participants) after 3:45 p.m. on the same day. Otherwise, such crediting will be carried out on the following Business Day. Nothing in this paragraph shall be construed as the giving of a guarantee for same day settlement on the part of HKSCC.
- (vii) If HKSCC receives any cash amount payable to a Participant applying for Units at or before 3:45 p.m. on any Business Day, HKSCC will credit such cash amount to the Money Ledger of such Participant on the same day. Otherwise, such crediting will be carried out on the following Business Day.
- (viii) Following receipt of instructions from the manager or trustee of the Exchange Traded Fund, debit entries representing cancellation fees (if applicable) will be posted to the Money Ledgers of Participants that have failed to remit or make available for debit the requisite application monies (including any cash component)

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and/or Eligible Securities in accordance with Section 8.20.2(ii) or 8.20.2(iii) (as the case may be).

#### **8.20.2A Book-entry deposit of Units**

The following procedures will usually apply to the book-entry deposit of Units which are not issued or redeemed through HKSCC :

- (i) Participants (other than Investor Participants) that wish to deposit issued Units into CCASS must input their book-entry deposit orders via their CCASS Terminals. The times for the input of such orders will normally be 9:00 a.m. to 3:00 p.m. starting from two Business Days prior to the settlement date.
- (ii) For a book-entry deposit order, a Participant's designated Stock Account in CCASS will be credited at or before 3:45 p.m. on the settlement date once confirmation is received from the registrar (or any administrative agent acting in such capacity) of the Exchange Traded Fund that the relevant Units have been issued and recorded in the name of Nominee on the register of Unitholders and such book-entry deposit order will be changed to settled status.
- (iii) If HKSCC does not receive a confirmation from the registrar (or any administrative agent acting in such capacity) that the Units under a book-entry deposit order have been issued and recorded in the name of Nominee on the register of Unitholders before 3:45 p.m. on the settlement date, such book-entry deposit order will be rejected by HKSCC via the CCASS Terminal.
- (iv) HKSCC has the right to reject a book-entry deposit order if the details input by a Participant into the CCASS Terminal are incomplete or inaccurate.

#### **8.20.3 Redemption of Units**

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

- (i) Participants other than Investor Participants that wish to redeem Units must input their Unit Redemption Orders via their CCASS Terminals. Orders must be in whatever minimum amounts or multiples thereof as specified. Normally, the times for input of such Orders will be 9:15 a.m. to 4:25 p.m. on any Business Day. However, the exact times and days will be determined by the manager or trustee of the relevant Exchange Traded Fund. Orders which are at the accepted status shown on the CCASS screen will be deemed to have been accepted by the relevant manager or trustee provided that such an accepted order may still be unsuccessful or rejected in accordance with the relevant trust deed.
- (ii) Following receipt of Unit Redemption Orders, debit entries representing CCASS fees will be posted to Participants' Money Ledgers on the settlement date. Confirmation of acceptance of such Unit Redemption Orders will normally be sent by HKSCC on behalf of the manager or trustee of the relevant Exchange Traded Fund via CCASS Terminals or in any other manner as decided by HKSCC. Participants must then submit to HKSCC a completed Redemption of Units - Debit and Credit Authorization Form (as set out in the CCASS Terminal User Guide for Participants) and/or other form or forms as specified by HKSCC from time to time for such purpose on the Business Day prior to the settlement date. The settlement date will normally be the date falling two Business Days after the date on which Unit Redemption Orders are accepted. Following receipt of such forms, HKSCC will

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debit the available Units specified in them from the designated Stock Accounts of the Participants concerned after each Batch-settlement-run on the settlement date. HKSCC shall make only one debit attempt after each Batch-settlement-run on the settlement date until the relevant Units are transferred to HKSCC. Relevant Participants must remit applicable cash component (if any), and all applicable duties, charges and transaction fees via CHATS to HKSCC's designated bank account under advice to HKSCC at or before 1:00 p.m. on the settlement date.

- (iii) If the relevant Units are not successfully debited from the designated Stock Account by the time immediately following the last Batch-settlement-run on the settlement date, the relevant Unit Redemption Orders will be rejected by HKSCC under advice to Participants by facsimile or in any other manner as decided by HKSCC. There may be other circumstances set out in the relevant trust deed requiring or entitling the manager or trustee of the relevant Exchange Traded Fund to reject a request to redeem Units.
- (iv) If a Unit Redemption Order is unsuccessful or is rejected, the Units debited from the Participant's designated Stock Accounts will be re-credited to its designated Stock Account by HKSCC. HKSCC will also arrange for any surplus monies received by HKSCC in respect of duties, charges and transaction fees to be refunded to Participants. Any CCASS fee collected, if applicable, will not be refunded.
- (v) If HKSCC receives Eligible Securities representing the Units redeemed at or before 3:45 p.m. on any Business Day, HKSCC will cause such Eligible Securities to be credited to the Stock Accounts designated in the Debit and Credit Authorization Forms or the form(s) specified by HKSCC of the relevant Participants other than Investor Participants after 3:45 p.m. on the same day. Otherwise, such crediting will be carried out on the following Business Day. Nothing in this paragraph shall be construed as the giving of a guarantee for same day settlement on the part of HKSCC.
- (vi) If HKSCC receives any cash amount payable to a Participant applying for redemption of Units at or before 3:45 p.m. on any Business Day, HKSCC will credit such cash amount to the Money Ledger of such Participant on the same day. Otherwise, such crediting will be carried out on the following Business Day.
- (vii) Following receipt of instructions from the manager or trustee of the Exchange Traded Fund, debit entries representing cancellation fees (if applicable) will be posted to the Money Ledgers of Participants who have failed to make available for debit the requisite Units in accordance with section 8.20.3(ii).

#### **8.20.3A Book-entry withdrawal of Units**

The following procedures will usually apply to the book-entry withdrawal of Units which are not issued or redeemed through HKSCC:

- (i) Participants (other than Investor Participants) that wish to withdraw Units must input their book-entry withdrawal orders via their CCASS Terminals. The times for the input of such orders will normally be 9:00 a.m. to 3:00 p.m. starting from two Business Days prior to the settlement date.
- (ii) For a book-entry withdrawal order, HKSCC will debit a Participant's designated Stock Account in CCASS at or before 3:45 p.m. upon receiving such order on the settlement date and such book-entry withdrawal order will be changed to settled status.

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- (iii) If the withdrawn Units are not successfully cancelled at the registrar (or any administrative agent acting in such capacity) of the relevant Exchange Traded Fund, the Units debited from the Participant's designated Stock Accounts will be re-credited to its designated Stock Account by HKSCC.
  - (iv) HKSCC has the right to reject a book-entry withdrawal order if the details input by a Participant into the CCASS Terminal are incomplete or inaccurate.

#### **8.20.4 Other procedures**

Different Unit Trusts may have different procedures for the issue and redemption of Units provided in the trust deeds constituting the Unit Trusts and HKSCC may agree with the managers or trustees of the Unit Trusts on the procedures to be followed/observed by the relevant Participants for the issue and redemption of Units different from and/or in addition to the procedures described in Section 8.20.2 and Section 8.20.3 above. Relevant Participants will be advised of the applicable procedures to be followed/observed with respect to issue and redemption of Units of the relevant Unit Trusts on a case by case basis.

### **8.20A SCRIP AND/OR CASH PAYMENT RELATING TO STRUCTURED PRODUCTS**

#### **8.20A.1 General**

This Section is concerned with the collection, receipt and distribution to Participants of proceeds, interest and other entitlement or payment in the form of scrip (i.e. securities) and/or cash ("scrip and/or cash payment") accruing to a Structured Product during the term or upon expiry (either upon the lapse of the expiry or maturity date ("normal expiry") or upon early termination triggered by the occurrence of any mandatory event ("early expiry")) of the Structured Product as specified in or provided for under its offering documents.

#### **8.20A.2 Procedures**

The following procedures will usually apply:

- (i) a Participant's scrip and/or cash payment will normally be determined by reference to the relevant Structured Product in its Stock Account (a) where expiry is concerned, as at the end of the second Settlement Day following the relevant call event in the case of early expiry or as at the end of the first Settlement Day following the expiry day in the case of normal expiry if the Structured Product is listed on the Exchange or as at the end of the valuation day specified in its offering documents if the Structured Product is not listed on the Exchange or (b) where entitlements, including but not limited to interest payments, are concerned, as at the end of day on which the entitlement of HKSCC (or the Nominee) is determined, which is normally the last registration date set by the issuer. However, for administrative convenience or if considered appropriate by HKSCC, HKSCC may in its absolute discretion use some other date for the purpose of determining the Participant's scrip and/or cash payment;
- (ii) HKSCC will inform Participants other than Investor Participants of their scrip and/or cash payment details via the "Enquire Announcement Information" function and Broadcast Message Service available through their CCASS Terminals, and also in the Corporate Announcement Master Data File and the Corporate Announcement Maintenance Activities Report. Investor Participants will be informed of their scrip and/or cash payment details via their activity statements on the payment day;
- (iii) upon expiry of a Structured Product, HKSCC will debit all holdings of Participants in the Structured Product from their Stock Accounts at the end of the reference date specified in, or such other date as determined by HKSCC, under Section 8.20A.2(i);

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- (iv) where applicable, on the relevant date on which any scrip and/or cash payments of Participants are determined by HKSCC, such scrip and/or cash payments will be recorded as receivable items in the Entitlement Statements of the relevant Participants other than Investor Participants;
  - (v) if cash payment is received by HKSCC from the issuer or its agent at or before 3:45 p.m. on a Business Day, HKSCC will usually cause the cash payment to be credited to the Money Ledgers of the relevant Participants on the same day. Otherwise, HKSCC will credit the cash payment on the following Business Day;
  - (vi) if scrip payment (being Eligible Securities) is received by HKSCC from the issuer or its agent at or before 5:00 p.m. on a Business Day or 12:00 noon on a Saturday, HKSCC will usually cause such scrip payment to be credited to the Stock Accounts of the relevant Participants on the same day in multiple batches in accordance with Section 6.2. Otherwise, HKSCC will credit the scrip payment on the following Business Day (Saturday being treated as a Business Day for this purpose, unless it is a public holiday);
  - (vii) upon distribution of scrip and/or cash payment by HKSCC, HKSCC will inform Participants other than Investor Participants via the Broadcast Message Service through their CCASS Terminals and Participant Gateways. The Entitlement Statements of the relevant Participants other than Investor Participants and the activity statements of the relevant Investor Participants will also be updated; and
  - (viii) where applicable, the ad valorem stamp duty and/or other relevant expenses to be payable to the issuers in accordance with the terms and conditions set out in the offering documents will be charged back to the Participants concerned on a pro-rata basis according to the number of underlying securities and/or the amount of cash payment distributed to each of them, or in such other manner as HKSCC considers fair and appropriate.

### **8.20A.3 Option to elect form of payment**

If, in any given case, holders of a Structured Product are given the option to elect whether to receive payment in the form of cash and/or scrip, HKSCC will inform Participants of the procedures and time-limit for the receipt of election instructions from Participants via the Broadcast Message Service through their CCASS Terminals and Participant Gateways (in the case of Participants other than Investor Participants) and via the CCASS Internet System or their activity statements (in the case of Investor Participants) or such other means as HKSCC may consider appropriate.

In the absence of specific instructions as to their election, Participants will be treated as having chosen the “default” option specified by the issuer of the Structured Product. If no “default” option is specified by the issuer, the option shall be that selected by HKSCC for such Participants.

Participants should only input instructions in respect of the quantity of the Structured Product which they will maintain in their Stock Accounts until the relevant deadline as prescribed by HKSCC. If the total quantity in respect of any election instruction given by a Participant to HKSCC is more than the holding of the Participant as at the relevant deadline, HKSCC will scale down the instruction given by the Participant by reference to the actual holding of the Participant or in such manner as HKSCC may consider appropriate, unless the Participant specifically instructs HKSCC otherwise.

### **8.20A.4 Notices**

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Upon receipt of any notice from the issuer or its agent in accordance with the terms and conditions of the Structured Product, HKSCC will inform Participants of the relevant details via facsimile, electronic transmission and/or the Broadcast Message Service through their CCASS Terminals and Participant Gateways (in the case of Participants other than Investor Participants), and via the CCASS Internet System and/or in their activity statements (in the case of Investor Participants), or via such other means as HKSCC may consider appropriate.

#### **8.20A.5 Other procedures**

Participants will be advised of other relevant procedures to be followed/observed with respect to Structured Products on a case by case basis.

### **8.20B REDEMPTION OF STRUCTURED PRODUCTS WHICH HAVE A ROLLOVER MECHANISM**

#### **8.20B.1 General**

In the event that a Structured Product uses the rollover approach to extend its maturity, Participants recorded by CCASS as holders of the Structured Product within the period specified in Section 8.20B.2(ii) will have the right to redeem their Structured Products at a pre-determined settlement formula and within a pre-determined time period specified by the issuer.

This Section is concerned with the procedures applicable to the redemption of Structured Products in the event of a rollover.

#### **8.20B.2 Redemption of Structured Products which have a rollover mechanism**

As stated in the offering document(s) or any declaration or announcement made by the issuer of a Structured Product which uses a rollover approach to extend its maturity, the issuer of the Structured Product may specify a certain time period during which the holders of the Structured Product are given the rights to redeem the Structured Product. In such event, the following procedures will usually apply:

- (i) HKSCC will via the “Enquire Announcement Information” function and Broadcast Message Service, and also via the Corporate Announcement Master Data File and Corporate Announcement Maintenance Activities Report or such other means as HKSCC may consider appropriate, inform Participants other than Investor Participants through their CCASS Terminals of detailed information in relation to the redemption of the Structured Products upon the release of the announcement of the rollover for the Structured Products. Investor Participants will be informed of the details of the redemption via their activity statements or such other means as HKSCC may consider appropriate;
- (ii) Participants with the Structured Product credited to their Stock Accounts may at any time during the relevant redemption period as stipulated by the issuer of the Structured Product input redemption instructions to HKSCC via their CCASS Terminals in the case of Participants other than Investor Participants, or via the CCASS Phone System, the CCASS Internet System or the Customer Service Centre in the case of Investor Participants. Participants may cancel their redemption instructions before the redemption deadline as stipulated by the issuer in the relevant announcement;
- (iii) in the absence of specific redemption instructions from Participants within the designated time period, HKSCC will not take any action in respect of the Participants’ holdings of the Structured Product held in CCASS;



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- (iv) upon receipt of valid instructions from Participants to redeem, HKSCC will debit the relevant quantity of the Structured Product from the relevant Stock Accounts of the Participants and, in the case of Participants other than Investor Participants, the relevant redemption monies will be recorded as receivable items in their respective Entitlement Statements;
  - (v) any payment arising from the redemption of Structured Products will be distributed by HKSCC to Participants in accordance with the procedures set forth in Section 8.20A.2; and
  - (vi) any disbursement charges will be charged back to the Participants concerned on a pro-rata basis according to the number of Structured Products each Participant has given instructions to redeem, or in such other manner as HKSCC considers fair and appropriate.

### **8.20B.3 Notices**

Upon receipt of any notice from the issuer or its agent in accordance with the terms and conditions of the Structured Product, HKSCC will inform Participants of the relevant details via facsimile, electronic transmission and/or the Broadcast Message Service through their CCASS Terminals and Participant Gateways (in the case of Participants other than Investor Participants), and via the CCASS Internet System and/or in their activity statements (in the case of Investor Participants), or via such other means as HKSCC may consider appropriate.

### **8.20B.4 Other procedures**

Participants will be advised of other relevant procedures to be followed/observed with respect to redemption of Structured Products which have a rollover mechanism on a case by case basis.

## **8.20C REQUISITIONS**

### **8.20C.1 General**

A Participant may apply to request HKSCC to raise requisitions to an Issuer of Eligible Securities by completing, signing and submitting to HKSCC such form as it may from time to time prescribe, together with all relevant supporting documents, including but not limited to documents demonstrating that the requisitioner has the right to make such requisitions and meets all prerequisite requirements such as any minimum securities holding threshold. The types of requisition in respect of which HKSCC may raise on behalf of a Participant and the conditions applicable to the application are set out in the prescribed form.

### **8.20C.2 Procedures**

The following procedures will usually apply:

- (i) a Participant wishing to request HKSCC to raise a requisition must duly complete and submit an application in the prescribed form and provide all relevant supporting documents to HKSCC;
- (ii) an application may be submitted by multiple Participants in case the Eligible Securities are stated in the application as being held by a requisitioner through those Participants;
- (iii) each Participant submitting an application shall monitor and ensure that the requisitioner continues to meet the minimum statutory shareholding requirement or

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other relevant minimum securities holding requirement or continues to maintain the relevant securities holding stated in the application, as the case may be, and shall notify HKSCC as soon as practicable if the requisitioner has ceased to meet such securities holding requirements;

- (iv) if HKSCC is not satisfied that the minimum securities holding required is maintained, HKSCC may reject the application or procure the Nominee to withdraw the requisition (as the case may be) and inform the Participant accordingly;
- (v) upon acceptance and processing by HKSCC of the application from the Participant based on the information provided by the Participant, HKSCC will cause the requisition to be made in respect of the relevant number of Eligible Securities within three Business Days, or such longer period as HKSCC may in its sole discretion consider necessary; and
- (vi) the Nominee will submit the requisition to the relevant Issuer in its capacity as the nominee holder of the relevant Eligible Securities and will notify the Participant of any responses received from the Issuer in respect of the requisition.

The Participant shall also comply with any additional requirements and procedures that HKSCC may from time to time prescribe on a case by case basis.

## **8.21 FRACTIONAL SECURITIES**

### **8.21.1 Rounding of fractional securities**

Participants may become entitled to fractional securities from time to time by virtue of corporate actions affecting Eligible Securities.

HKSCC reserves the right to round up, or down, fractional securities in the Stock Accounts of Participants to facilitate distribution of securities to Participants by HKSCC (the rounding up or down may not be to the nearest whole number).

### **8.21.2 Sale of fractional securities**

The entitlements of Participants to fractional securities will normally be sold by HKSCC for the benefit of the relevant Participants, although HKSCC reserves the right to postpone the sale of fractional securities if the amount of the proceeds would not justify incurring the cost and expense of the sale of those securities.

Where fractional securities received by HKSCC are not of a sufficient quantity to economically sell due to being under a board lot, HKSCC may withhold the sale of such fractional securities until such time as it has accumulated a sufficient amount that could be economically sold.

HKSCC shall be authorized to sell such accumulated fractional securities on such terms as it considers appropriate and to utilize the net proceeds of such sale for the general benefit of Participants in such manner as HKSCC considers appropriate.

Where any such accumulated fractional securities have subsequently become non-Eligible Securities, HKSCC shall hold such fractional securities until sold.

## **8.22 UNCLAIMED ENTITLEMENTS**

### **8.22.1 HKSCC may receive more benefit entitlements accruing to Eligible Securities than are**

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required to be distributed to Participants in respect of the Eligible Securities credited to their Stock Account in CCASS at the time. This may arise, for example, where Eligible Securities, withdrawn from CCASS by Participants, fail to be transferred out of the name of the Nominee prior to the relevant book-close or record date.

For convenience, these surplus entitlements which are valuable at the time of claims application are referred to as "unclaimed benefits".

- 8.22.2** A Participant other than Investor Participant wishing to claim such unclaimed benefits must apply in the form prescribed by HKSCC from time to time and must provide HKSCC with satisfactory proof to the effect that the Participant is entitled to the unclaimed benefits being claimed. Normally, such Participant will have to provide HKSCC with a certified copy of the relevant Stock Withdrawal Receipt, a certified copy of the relevant purchase contract notes or statement showing the relevant purchase transaction details, certified copies of the relevant certificates, certified copies of the relevant transfer deeds, a certified copy of the relevant registrars' transfer receipts with certificate numbers printed thereon, original letter from the beneficial owner claiming the entitlement and a letter of indemnity, in a form acceptable to HKSCC (see the CCASS Terminal User Guide for Participants), issued by the Participant.

Where such Participant is unable to provide HKSCC with any of the above required documents, HKSCC may entertain a claim for unclaimed benefits subject to the Participant providing HKSCC with (i) a satisfactory explanation as to why any one or more of such documents cannot be provided; (ii) confirmation from the relevant registrar of the non-registration and/or registration of the withdrawn certificates together with details of the transferee as the case may be; HKSCC may obtain such confirmation upon request from the Participant concerned who will be responsible for any charges incurred; and (iii) if so requested by HKSCC, a letter of indemnity, in a form acceptable to HKSCC (see the CCASS Terminal User Guide for Participants), issued by the Participant and endorsed by a licensed bank or (subject to the prior approval of HKSCC and in a form acceptable to HKSCC) a third party Participant as guarantor. A handling charge will be charged by HKSCC through the generation of an EPI.

- 8.22.3** An Investor Participant wishing to claim the unclaimed benefits must apply in the form prescribed by HKSCC from time to time and must provide HKSCC with satisfactory proof to the effect that such Investor Participant is entitled to the unclaimed benefits being claimed. HKSCC will only entertain claims made by Investor Participants who have obtained transfer of the certificates out of the name of HKSCC Nominees Limited into their own names.

Normally, an Investor Participant must provide HKSCC with certified copies of the relevant Stock Withdrawal Receipt, the relevant purchase contract notes (or statement showing the relevant purchase transaction details), the relevant certificates, the transfer deeds and the relevant registrars' confirmation of the non-registration and/or registration of the withdrawn certificates together with details of the transferee. HKSCC may obtain such confirmation upon request from the Investor Participant concerned who will be responsible for any charges incurred. Both the name of the purchaser and the transferee should be the same as the name of the Investor Participant concerned.

Where an Investor Participant is unable to provide HKSCC with any of the above required documents, HKSCC may entertain a claim for unclaimed benefits subject to the Investor Participant providing HKSCC with (i) a satisfactory explanation as to why any one or more of such documents cannot be provided; (ii) confirmation from the relevant registrar of the re-registration; HKSCC may obtain such confirmation upon request from the Investor Participant concerned who will be responsible for any charges incurred; and (iii) if so

requested by HKSCC, a letter of indemnity, in a form acceptable to HKSCC (see the CCASS Terminal User Guide for Participants), issued by the Investor Participant and endorsed by a license bank. A handling charge will be charged by HKSCC by way of DDI.

**8.22.4** HKSCC will only entertain claims made by the Participants.

### **8.23 DECIMAL PLACES FOR CALCULATION PURPOSE**

Cash entitlements accruing to Eligible Securities etc. in most currencies will be calculated to two decimal places in most cases, as further particularised in the table below.

<b>Currency</b>	<b>Decimal places</b>
Australian Dollar	2
Bahraini Dinar	3
Brunei Dollar	2
Burmese Kyat	2
Canadian Dollar	2
Chinese Yuan (CNY)	2
Danish Krona	2
Euro	2
Hong Kong Dollar	2
Indian Rupee	2
Japanese Yen	None
Kuwaiti Dinar	3
Malaysian Ringgit	2
Mauritian Rupee	2
New Zealand Dollar	2
Norwegian Krona	2
Pakistan Rupee	2
Papua New Guinea Kina	2
Philippines Peso	2
Pound Sterling	2
Saudi Arabian Riyal	2
Singapore Dollar	2
Solomon Islands Dollar	2
South African Rand	2
Sri Lankan Rupee	2
Swedish Krona	2
Swiss Franc	2
Thai Baht	2
UAE Dirham	2
US Dollar	2

### **8.24 FORMS**

Samples of the various forms to be used in connection with the nominee services provided to Participants in the event that instructions cannot be sent via CCASS Terminals or to supplement such electronic instructions are set out in the CCASS Terminal User Guide for Participants.

Participants can make photocopies of these forms for use if necessary.

### **8.25 INTRA-DAY PAYMENT IN AN ELIGIBLE CURRENCY**

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**8.25.1 Cash payments arising out of nominee services**

Participants other than Investor Participants may request HKSCC to effect intra-day payment to the Participants of the following types of cash payments in an Eligible Currency arising out of nominee services on each Business Day:

- (i) cash dividend;
- (ii) refund of surplus subscription monies for excess shares applications under rights issue and/or open offers;
- (iii) refund of subscription monies under an unsuccessful open offer;
- (iv) cash consideration under a successful (in full or in part) take-over offer;
- (v) repealed
- (vi) interest payment;
- (vii) cash consideration under the redemption of bonds, Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments;
- (viii) redemption proceed under the redemption of shares of a company;
- (ix) cash payment relating to Structured Products; and
- (x) other types of cash payments arising out of nominee services as HKSCC may from time to time specify.

**8.25.2 Procedures**

The following is a brief description of the procedures relating to the intra-day payment of cash payments arising out of nominee services on a Business Day:

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

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- (iii) in case an Intra-day Payment Standing Instruction covering cash payments arising out of nominee services is accepted by HKSCC on a Business Day at or before 1:15 p.m., an Intra-day Payment Instruction will be issued starting from that Business Day. Otherwise, the Intra-day Payment Instruction will only be issued from the next Business Day;
  - (iv) following the acceptance by HKSCC of an Intra-day Payment Standing Instruction covering intra-day payment to the Participant of cash payments arising out of nominee services, HKSCC will normally determine the amount of cash payments in an Eligible Currency arising out of nominee services to be included in the Intra-day Payment at around 2:00 p.m. on a Business Day based on the cash payments in an Eligible Currency actually received by HKSCC of which cleared funds are made available to HKSCC by the relevant paying banks and distributed to the Entitlement Account of the Money Ledger of the Participant before 1:45 p.m. on that Business Day or such other time as specified from time to time by HKSCC. If the total amount of Intra-day Payment determined by HKSCC is equal to or greater than the pre-set threshold defined by the Participant, an Intra-day Payment Instruction will be issued by HKSCC;
  - (v) HKSCC will issue Intra-day Payment Instructions to the Designated Banks of Participants other than Investor Participants at around 2:30 p.m. on a Business Day, or such other time as specified by HKSCC from time to time, to cause credits to be made to the Designated Bank Accounts of the Participants;
  - (vi) Participants other than Investor Participants that have inputted Intra-day Payment Standing Instructions may enquire the amount of cash payments arising out of nominee services under Intra-day Payment Instructions issued after 2:30 p.m. on a Business Day via the “Enquire Intra-day Payment Summary” function in CCASS Terminal; and
  - (vii) the intra-day payment to Participants other than Investor Participants of any cash payments arising out of nominee services will be at the full discretion of HKSCC irrespective of whether their Intra-day Payment Standing Instructions are accepted under Section 8.25.2(iii). If (a) a Participant fails to follow the specified procedures; (b) its Intra-day Payment Standing Instruction is subsequently turned down by HKSCC for any other reason; or (c) any cash payments arising out of nominee services are not paid to the Participant intra-day under an Intra-day Payment Instruction for any reason, then the cash payments arising out of nominee services on a Business Day will be paid to the Participant at day end via DCI or by way of evening distribution in accordance with Section 8.26, if applicable.

## **8.26 NOMINEE PAYMENT (EVENING) DISTRIBUTION IN AN ELIGIBLE CURRENCY**

### **8.26.1 Cash payments arising out of nominee services**

Participants other than Investor Participants may request HKSCC to effect evening distribution of the following types of cash payments in an Eligible Currency arising out of nominee services on each Business Day via DCI not later than day end:

- (i) cash dividend;
- (ii) refund of surplus subscription monies for excess shares applications under rights issue and/or open offers;
- (iii) refund of subscription monies under an unsuccessful open offer;

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- (iv) cash consideration under a successful (in full or in part) take-over offer;
  - (v) interest payment;
  - (vi) cash consideration under the redemption of bonds, Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments;
  - (vii) redemption proceed under the redemption of shares of a company;
  - (viii) cash payment relating to Structured Products; and
  - (ix) other types of cash payments arising out of nominee services as HKSCC may from time to time specify.

### **8.26.2 Procedures**

The following is a brief description of the procedures relating to the evening distribution of cash payments arising out of nominee services on a Business Day:

- (i) Participants other than Investor Participants that wish to request HKSCC to effect evening distribution to the Participants of cash payments in an Eligible Currency arising out of nominee services on each Business Day shall input the Nominee Payment (Evening) Standing Instruction via the “Nominee Payment (Evening) Standing Instruction” maintenance functions to instruct HKSCC to issue a DCI covering such cash payments on each Business Day not later than day end. The evening distribution on a Business Day is only applicable to and only covers (a) the amount of cash payments in respect of which HKSCC has actually received cleared funds in an Eligible Currency at or before 3:30 p.m. on the same Business Day from the relevant paying banks; and (b) such amount which has not been paid to the Participants intra-day under an Intra-day Payment Instruction in accordance with Section 8.25, if applicable;
- (ii) acceptance of Nominee Payment (Evening) Standing Instructions by HKSCC will be at the discretion of HKSCC and subject to the requirements as HKSCC may from time to time specify. For the avoidance of doubt, a Nominee Payment (Evening) Standing Instruction only relates to cash payments in one Eligible Currency. Where a Participant other than an Investor Participant wishes to receive cash payments in more than one Eligible Currency, the Participant should input one Nominee Payment (Evening) Standing Instruction in respect of cash payments denominated in each Eligible Currency;
- (iii) in case a Nominee Payment (Evening) Standing Instruction is accepted by HKSCC on a Business Day at or before 3:30 p.m., a DCI in respect of the relevant amount of cash payments, if any, will be issued by HKSCC on the same Business Day not later than day end to effect evening distribution of cash payments to the Participant starting from that Business Day. If the Nominee Payment (Evening) Standing Instruction is accepted after 3:30 p.m. on a Business Day, such a DCI will only be issued by HKSCC starting from the next Business Day;
- (iv) following the acceptance by HKSCC of a Nominee Payment (Evening) Standing Instruction, HKSCC will normally determine the amount of cash payments in an Eligible Currency arising out of nominee services to be effected by way of evening distribution to the Participant on a Business Day not later than day end via DCI based on the cash payments in an Eligible Currency actually received by HKSCC of which cleared funds are made available to HKSCC by the relevant paying banks at or before 3:30 p.m. (or such other time as specified from time to time by HKSCC) on that Business Day. HKSCC will effect evening distribution of such cleared funds to the

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Participant on the same Business Day if the cleared funds (a) have not already been paid to the Participants intra-day under an Intra-day Payment Instruction in accordance with Section 8.25, if applicable; and (b) have been posted to the Entitlements Accounts of the Money Ledger of the Participant at around 4:00 p.m. (or such other time as specified from time to time by HKSCC) on that Business Day;

- (v) HKSCC will issue a DCI covering the relevant amount of cash payments in an Eligible Currency around 4:05 p.m. on a Business Day, or such other time as specified by HKSCC from time to time, to cause credits to be made to the Designated Bank Accounts of the Participants;
- (vi) where evening distributions have been effected by HKSCC to Participants other than Investor Participants, the Statements of Money Ledger of the relevant Participants will be updated accordingly; and
- (vii) the evening distribution to Participants other than Investor Participants of any cash payment will be at the full discretion of HKSCC irrespective of whether their Nominee Payment (Evening) Standing Instructions are accepted under this Section 8.26.2 by HKSCC. If (a) a Participant fails to follow the specified procedures; (b) its Nominee Payment (Evening) Standing Instruction is subsequently turned down by HKSCC for any other reason; or (c) any cash payments arising out of nominee services are not paid to the Participant in the evening before day end under a Nominee Payment (Evening) Standing Instruction for any reason, then the cash payments arising out of nominee services on a Business Day will only be paid to the Participant at day end via DCI.

## **8.27 CA ISO MESSAGE SERVICE**

### **8.27.1 General**

Apart from receiving information via CCASS Terminals and Participant Gateways, Participants (other than Investor Participants) may subscribe for the CA ISO Message Service to receive certain information on corporate actions in the form of ISO Messages via SWIFT in accordance with the procedures set out in this Section 8.27.

The types of information on corporate actions which may be made available under the CA ISO Message Service shall be prescribed by HKSCC and notified to Participants from time to time.

### **8.27.2 Subscription for and use of the CA ISO Message Service**

The following procedures will usually apply in relation to the CA ISO Message Service:

- (i) Participants who wish to subscribe for the CA ISO Message Service shall submit their instructions via the CA ISO Message Service maintenance functions of the CCASS Terminal.
- (ii) Upon setup and configuration, the effective date of the newly subscribed service will be reflected in the “CA ISO Message Service Subscription Audit Trail Report”.
- (iii) Participants who wish to cancel their subscription of CA ISO Message Service shall submit a duly completed cancellation form as prescribed by HKSCC from time to time.



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Upon configuration, the last date of subscription will be reflected in the “CA ISO Message Service Subscription Audit Trail Report”.

- (iv) Details of any updates in relation to the CA ISO Message Service made by Participants and HKSCC will be reflected in the daily “CA ISO Message Service Subscription Audit Trail Report”.
- (v) The subscription fee for the CA ISO Message Service and the list of ISO Messages sent in a given month will be reflected in the monthly “CA ISO Message Service Monthly Billing Report”.
- (vi) HKSCC reserves the right to reject any application for subscription of the CA ISO Message Service and may by prior notice to Participants, terminate their subscription in full or in part at any time.
- (vii) Participants shall not forward or distribute any ISO Messages generated by HKSCC in their original format to any third parties.
- (viii) ISO Messages are generated based on information received from Issuers of Eligible Securities. Without prejudice to Rule 2104, HKSCC makes no representation as to the accuracy or completeness of the information made available under the CA ISO Message Service.

For further details, Participants should refer to the relevant sections of the CCASS Terminal User Guide.

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## Section 9

### Overview of Clearing and Settlement in CCASS

#### 9.1 TRANSACTIONS ACCEPTED FOR SETTLEMENT IN CCASS

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

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

SI Transactions are transactions in Eligible Securities to be settled in CCASS between Participants other than Investor Participants, other than Exchange Trades, China Connect Securities Trades, Clearing Agency Transactions and ISI Transactions. Details of SI Transactions are input into CCASS by "Settlement Instructions" or "SIs" given by the two Participants other than Investor Participants concerned to HKSCC either using their CCASS Terminals or via Synapse.

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

Transactions in Eligible Securities can be settled in CCASS, either on a Free of Payment, or FOP, basis, or on a Delivery versus Payment, or DVP, basis or on a Realtime Delivery versus Payment, or RDP, basis.

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

#### 9.2 EXCHANGE TRADES

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

Where at least one of the parties 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.

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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.

Exchange Trades will be settled in CCASS either under:

- (i) the CNS System (see Section 10) pursuant to which HKSCC becomes substituted as the settlement counterparty and settlement will be effected between Clearing Participants and HKSCC on a net basis; or
- (ii) the Isolated Trades System (see Section 11) where settlement will be effected directly between the Clearing Participants concerned.

Settlement under the CNS System will always be effected on a DVP basis.

Settlement under the Isolated Trades System may be effected on a DVP or FOP basis, as selected by delivering Clearing Participants.

## **9.2A CHINA CONNECT SECURITIES TRADES**

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

Where at least one of the parties for whom a China Connect Securities Trade is executed is an 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.

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

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

## **9.3 SI TRANSACTIONS**

This Section 9.3 does not apply to Investor Participants.

SIs input into CCASS and, if required, authorised by Participants will be subject to matching before SI Transactions are accepted for settlement in CCASS.

Settlement of SI Transactions in CCASS will be effected directly between the Participants

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concerned and can be effected on a RDP, DVP or FOP basis, as stipulated by the Participants concerned in their SIs.

#### **9.4 ISI TRANSACTIONS**

ISIs (without affirmation) input into CCASS and, if required, authorised, will be accepted for settlement in CCASS. ISIs (with affirmation) input into CCASS and, if required, authorised by Participants will be subject to affirmation by the relevant Investor Participant before ISI Transactions are accepted for settlement in CCASS.

Settlement of ISI Transactions in CCASS will be effected directly between the Participants concerned and can be on a RDP, DVP or FOP basis, as stipulated by the Participants concerned in its ISI.

#### **9.5 CLEARING AGENCY TRANSACTIONS**

HKSCC will accept Clearing Agency Transactions reported by the Clearing Agency Participants for settlement in CCASS. Where a 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.

Clearing Agency Transactions will be settled in CCASS either under:

- (i) the CNS System (see Section 10) pursuant to which HKSCC becomes substituted as the settlement counterparty and settlement will be effected between the Participants which are parties to the Clearing Agency Transaction and HKSCC on a net basis; or
- (ii) the Isolated Trades System (see Section 11) where settlement will be effected directly between the Participants which are parties to the Clearing Agency Transaction.

Settlement under the CNS System will always be effected on a DVP basis.

Settlement under the Isolated Trades System may be effected on a DVP or FOP basis, as elected by delivering Participants.

#### **9.6 TRANSFER INSTRUCTIONS**

A Participant must complete and submit a Transfer Instruction Form to HKSCC before a stipulated deadline on a Business Day to effect a transfer of Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments between CCASS and CMU. Upon receipt of a duly completed Transfer Instruction Form, HKSCC will forward the instructions to CMU subject to and in accordance with Section 12.4. The transfer between CCASS and CMU can be effected on a free of payment basis or a delivery versus payment basis in CMU, as stipulated in the Transfer Instruction Form submitted by the Participant.

HKSCC will update the Participant's Stock Account in CCASS by reference to the settlement results as advised by the CMU. Where applicable, HKSCC will also credit the Participant's Money Ledger in CCASS by reference to the settlement results.

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Money settlement of Transfer Instructions will be effected on a FOP basis only.

#### **9.6A CROSS-BORDER TRANSFER INSTRUCTIONS**

- (i) Any Participant that wishes 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) must complete and submit to HKSCC a Cross-Border Transfer Instruction Form in respect of Foreign Securities in accordance with Section 12.5 and in accordance with the rules and procedures of the Appointed Depositary. Upon receipt of a duly completed Cross-Border Transfer Instruction Form in respect of Foreign Securities, HKSCC will forward the instruction to the Appointed Depositary or its nominee in accordance with Section 12.5.

HKSCC will update the Participant's Stock Account by reference to the settlement results as are advised by the Appointed Depositary or its nominee.

- (ii) Any Participant that wishes 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 a Cross-Border Transfer Instruction Form in respect of Uncertificated Eligible Securities in accordance with Section 12.5 and in accordance with the rules and procedures to which the Overseas Account are subject. Upon receipt of a duly completed Cross-Border Transfer Instruction Form in respect of Uncertificated Eligible Securities, HKSCC will forward the instruction to the relevant Overseas Issuer (or its agents or representatives) or the entity with which the relevant Overseas Account is maintained in accordance with Section 12.5.

HKSCC will update the Participant's Stock Account by reference to the settlement results as are advised by the Overseas Issuer (or its agents or representatives) or the entity with which the relevant Overseas Account is maintained.

#### **9.7 SECURITIES SETTLEMENT**

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

- (i) by Delivery Instructions input by delivering Participants other than Investor Participants which will be processed immediately by HKSCC; or
- (ii) by the multiple Batch-settlement-runs effected daily by HKSCC at stated times; or
- (iii) by way of on-line immediate delivery upon input (and authorisation, if required) of an ISI (without affirmation) by a Participant or upon affirmation of an ISI (with affirmation) by the Investor Participant concerned, provided that there are sufficient Eligible Securities in the Stock Account of the delivering Participant and, in the case of an ISI Transaction or SI Transaction to be settled in CCASS on a RDP basis, upon receipt of confirmation of payment of the ISI Transaction or SI Transaction from the

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Clearing House of HKAB for the relevant Eligible Currency.

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

## **9.8 MONEY SETTLEMENT**

Each Participant must establish a General Purpose Designated Bank Account denominated in Hong Kong dollars with a Designated Bank for settlement of money obligations in respect of all its transactions in Eligible Securities in CCASS. Each Participant which wishes to settle money obligations in CCASS in an Eligible Currency other than Hong Kong dollars must maintain a Designated Bank Account in its own name and denominated in that Eligible Currency for the settlement of money obligations in CCASS. Each Participant must also authorise HKSCC to cause debits and credits to be made to its Designated Bank Account (or, if it has more than one, to each of them) for CCASS money settlement purposes.

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

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

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

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

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a China Connect Clearing Participant or its NCCCPs or on the same day as execution if it is an H-1 day, the China Connect Clearing Participant's money positions which correspond to its CNS stock positions in such China Connect Securities will be calculated separately for each China Connect Market and its money positions for all China Connect Markets will be set-off against each other to arrive at a total net money position in the Money Ledger of the China Connect Clearing Participant. HKSCC will issue CPIs to the Designated Bank of the paying China Connect Clearing Participant or HKSCC's banker to effect payment for value on the same day in respect of such net money position.

For Exchange Trades and Clearing Agency Transactions to be settled under the Isolated Trades System and for ISI and SI Transactions, if settlement in CCASS is on a DVP basis, HKSCC will, following delivery of Eligible Securities in CCASS, issue EPIs to the Designated Banks of Participants concerned to effect payment for value on the same day.

For those transactions in which relevant Participants opt for settlement of those transactions in CCASS on a RDP basis, subject to the relevant Eligible Securities being put on-hold in the delivering Participant's Stock Account in CCASS, HKSCC will issue CPIs to the Designated Banks of the paying Participants to request for payment. Delivery of Eligible Securities will be effected upon receipt of confirmation of payments of such transactions from the Clearing House of HKAB to HKSCC within the predefined time schedule, i.e. on each Settlement Day, normally from 9:30 a.m. to 3:30 p.m. for Eligible Securities other than China Connect Securities, from 9:30 a.m. to 6:00 p.m. for China Connect Securities the payment for which is in an Eligible Currency other than RMB and from 9:30 a.m. to 7:45 p.m. for China Connect Securities the payment for which is in RMB.

For Transfer Instructions which are to be settled between CCASS and CMU on a delivery versus payment basis in CMU, with payment to be made to HKSCC, HKSCC will, following receipt of the settlement confirmation from CMU and the relevant amount of payment, credit the Participants' Money Ledgers with the relevant amount of payment on the same day.

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## **Section 10**

### **Exchange Trades - CNS System**

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

#### **10.1 ACCEPTANCE FOR SETTLEMENT UNDER THE CNS SYSTEM**

##### **10.1.1 Details of Exchange Trades**

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

Subject to any Trade Amendments, any “late” Exchange Trades and trades not recognized by the Exchange as referred to in Section 10.2, Exchange Trades will be settled under the CNS System unless they are isolated from the CNS System by the counterparty Exchange Participants at the time of trade or unless they are isolated from the CNS System by HKSCC.

##### **10.1.2 Confirmation of acceptance under the CNS System**

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

Subject to any Trade Amendments, any “late” Exchange Trades and trades not recognized by the Exchange as referred to in Section 10.2, an Exchange Trade accepted for settlement under the CNS System will not normally be excluded from the CNS System by HKSCC subsequent to the issue of the relevant PCS.

##### **10.1.3 "Guarantee" by HKSCC**

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

##### **10.1.4 Availability of PCSs**

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

##### **10.1.5 Information contained in PCSs**

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



For Exchange Trades relating to interest-bearing eligible Debt Securities, accrued interest amount and trade amount of the trades will be displayed separately in the PCSs. In addition, other information such as interest calculation method, interest rate used and number of days used in the calculation of accrued interest will also be provided in the PCSs.

Details of the Exchange Trades to be settled under the Isolated Trades System and details of trades in non-Eligible Securities will also be provided in the PCSs.

Details of Clearing Agency Transactions to be settled under the CNS System or the Isolated Trades System will be included in the second batch of PCSs only.

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

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

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

## **10.2 TRADE AMENDMENTS, "LATE" EXCHANGE TRADES AND TRADES NOT RECOGNIZED BY THE EXCHANGE**

### **10.2.1 Rectification of errors by Trade Amendments**

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

### **10.2.2 "Late" Exchange Trades**

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

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Arrangements have been made by HKSCC for details of such "late" Exchange Trades to be reported to it by the Exchange. HKSCC reserves the right not to accept such late Exchange Trades for settlement under the CNS System.

#### **10.2.2A Trades not recognized by the Exchange**

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

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

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

#### **10.2.4 Availability of FCSs**

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

#### **10.2.5 Information contained in FCSs**

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

- (i) the net stock positions with HKSCC in each Eligible Security (which will each be assigned a unique settlement position number) and their related money positions under the CNS System (taking into account any Trade Amendments accepted by HKSCC, any "late" Exchange Trades accepted by HKSCC and the exclusion of any trades not recognized by the Exchange) as well as details of individual Exchange Trades and Clearing Agency Transactions of a Participant effected on the previous Business Day;
- (ii) the net money position with HKSCC for all net stock positions under the CNS System;
- (iii) details of Exchange Trades accepted for settlement under the Isolated Trades System and their related money positions (including any Trade Amendments thereto approved by the Exchange) and accrued interest amounts of Exchange Trades in eligible interest-bearing Debt Securities;
- (iv) details of Clearing Agency Transactions accepted for settlement under the CNS System or accepted for settlement under the Isolated Trades System and their

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related money positions (including any amendments thereto accepted by HKSCC);

- (v) details of Trade Amendments, any "late" Exchange Trades accepted by HKSCC and the exclusion of any trades not recognized by the Exchange, if any;
- (vi) details of trades effected in securities listed on the Exchange which are not Eligible Securities (and any Trade Amendments thereto); and
- (vii) details of fees payable in relation to the settlement of Exchange Trades and Clearing Agency Transactions in CCASS (see Section 21.1).

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

### **10.2.6 Accrued Interest Adjustment**

For trades in floating rate Debt Securities effected in one interest period and which are due for settlement on or after the first day of the next following interest period, it is possible that interest rate of the next following interest period may not be fixed by the trade day. Upon notification of the interest rate for the next following interest period by the issuer/issuer's agent, HKSCC may adjust the accrued interest amount of the affected positions.

Where other circumstances warrant, HKSCC may also adjust the accrued interest of both floating and fixed rate Debt Securities in line with market practice.

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

## **10.3 NETTING**

### **10.3.1 Determination of daily stock settlement positions**

The daily stock settlement positions of a Clearing Participant or Clearing Agency Participant with HKSCC, arising out of Exchange Trades or Clearing Agency Transactions, as the case may be, accepted for settlement under the CNS System, will be determined based on the following steps:

- (i) Novation : the Novation of Exchange Trades and Clearing Agency Transactions upon their acceptance for settlement under the CNS System, pursuant to which HKSCC becomes substituted as the settlement counterparty to the relevant Clearing Participants and Clearing Agency Participants (the novated contracts being referred to as "Market Contracts");
- (ii) daily netting: the stock positions of a Clearing Participant or Clearing Agency Participant under the Market Contracts (which may include novated Clearing Agency Transactions), on the same day, in the same Eligible Security (and arising from Exchange Trades executed by the same Special Participant in the case of a Clearing Agency Participant which is a China Connect Clearing House), being offset against each other to result in one net long or net short stock position with HKSCC, in each Eligible Security, on each Business Day (and in respect of each Special Participant in the case of a Clearing Agency Participant which is a China Connect Clearing House). Each such net long or net short stock position of a

Clearing Participant or Clearing Agency Participant will be assigned a unique Settlement Position Number for reference purposes; and

- (iii) cross-day netting: the netting process operates on a continuous basis in the sense that any outstanding unsettled stock position of a Clearing Participant or Clearing Agency Participant in an Eligible Security (and in respect of the same Special Participant in the case of a Clearing Agency Participant which is a China Connect Clearing House) on a Settlement Day is carried forward to the following Settlement Day and is offset against any opposite stock position in the same Eligible Security (and in respect of the same Special Participant in the case of a Clearing Agency Participant which is a China Connect Clearing House) due on the following Settlement Day. If the outstanding stock position so carried forward to the following Settlement Day and the stock position in the same Eligible Security (and in respect of the same Special Participant in the case of a Clearing Agency Participant which is a China Connect Clearing House) due for settlement on the following Settlement Day are both long or both short, the two stock positions will remain separate and distinct for settlement purposes in CCASS (although they will be added together for the purpose of determining the aggregate stock position of the Clearing Participant or Clearing Agency Participant in that Eligible Security, and in the case of a Clearing Agency Participant which is a China Connect Clearing House, in respect of the same Special Participant, at the time).

### 10.3.2 Example (Novation)

The concept of Novation of an Exchange Trade and its replacement by two Market Contracts, with HKSCC being substituted as settlement counterparty, can be illustrated as follows.

An Exchange Trade involving Exchange Participant A buying 10,000 stock X from Exchange Participant B for HK\$100,000.

Upon Novation under the CNS System, the Exchange Trade will be replaced by the following two Market Contracts, each with HKSCC as settlement counterparty :

- (i) Market Contract between Participant A or GCP (if Participant A is a NCP) and HKSCC :

	<b>Participant A</b>	<b>HKSCC</b>
Stock position	10,000 (long)	10,000 (short)
Money position	\$100,000DR	\$100,000CR

- (ii) Market Contract between Participant B or GCP (if Participant B is a NCP) and HKSCC :

	<b>Participant B</b>	<b>HKSCC</b>
Stock position	10,000 (short)	10,000 (long)
Money position	\$100,000CR	\$100,000DR

The combined stock and money positions of HKSCC under the two Market Contracts replacing an Exchange Trade will be zero in each case.

### 10.3.3 Example (daily netting)

The concept of daily netting of Market Contracts in the same Eligible Security can be

illustrated as follows :

On T-day, Participant A had the following five Exchange Trades for settlement in stock X.

<b>Trade Counterparty (assuming they are all DCPs)</b>	<b>Settlement Counter-Party</b>	<b>Action by Participant A</b>	<b>Quantity (stock)</b>	<b>Unit Price</b>	<b>Money Positions</b>
Participant B	HKSCC	Sell (Deliver)	10,000	\$10.0	\$100,000CR
Participant B	HKSCC	Sell (Deliver)	25,000	\$ 9.0	\$225,000CR
Participant C	HKSCC	Buy (Receive)	20,000	\$11.0	\$220,000DR
Participant D	HKSCC	Buy (Receive)	10,000	\$10.0	\$100,000DR
Participant E	HKSCC	Sell (Deliver)	15,000	\$11.0	\$165,000CR
			<u>Net sell (Deliver)</u>	<u>20,000</u>	<u>\$170,000 CR</u>

After netting, Participant A has a net short stock position of 20,000 in stock X, with a corresponding money position of \$170,000.00 CR. The average position price for the CNS stock position of Participant A in stock X is therefore \$8.5.

#### 10.3.4 Example (cross-day netting - two opposite stock positions)

The concept of cross-day netting (CNS) involving two opposite stock positions of a Participant in the same Eligible Security can be illustrated by using the following example :

At the beginning of a Settlement Day ("S-Day"), Participant A has the following unsettled positions in stock X before the settlement on the day begins.

<b>Due settlement date of stock positions</b>	<b>Unsettled stock positions</b>	<b>Money positions</b>
S-1	2,000 (short)	\$2,200CR
S	3,000 (long)	\$3,600DR

At the beginning of S-day, the long stock position of 3,000 due on S-day will be offset against the outstanding short stock position of 2,000 due on S-1, as follows :

<b>Due settlement date of stock position</b>	<b>Unsettled stock positions before CNS on S-day</b>	<b>Stock positions settled by CNS on S-day</b>	<b>Unsettled stock positions after CNS</b>
S-1	2,000 (short)	2,000 (short)	0
S	3,000 (long)	2,000 (long)	1,000 (long)

<b>Due settlement date of stock positions</b>	<b>Money positions before CNS on S-day</b>	<b>Money positions settled by CNS on S-day</b>
S-1	\$2,200CR	\$2,200CR
S	\$3,600DR	\$2,400DR*

Money position to be settled : \$200 DR

\* The amount \$2,400 is derived from  $\$3,600 \times 2,000/3,000$

As a result of CNS, Participant A has a net long stock position of 1,000 in stock X (with a corresponding money position of \$1,200 DR), to be settled on S-day. The amount of \$200 arising out of the process of CNS will be debited by HKSCC to the Settlement Account (a sub-account of its Money Ledger) of Participant A for settlement the same day.

Further settlement in respect of the net long stock position of 1,000 in stock X may be effected on S-day.

### 10.3.5 Example (cross-day netting - stock positions both long or both short)

The concept of cross-day netting (CNS) involving two stock positions of a Participant in the same Eligible Security which are both long or both short can be illustrated by using the following example.

Participant A has the following positions in stock X on S-day.

Due settlement date of stock positions	Unsettled stock positions	Money positions
S-1	2,000(short)	\$2,200CR
S	3,000(short)	\$3,600CR

On S-day, Participant A will have an aggregate short stock position of 5,000 in stock X. However, for the purpose of settlement under the CNS System, the two stock positions will remain separate and distinct. Similarly, the corresponding money positions of the two stock positions will also remain as separate and distinct.

Settlement may be effected in respect of the two stock positions in Stock X on S-day.

### 10.3.6 Example (cross-day netting - three stock positions)

The concept of cross-day netting (CNS) involving three stock positions of a Participant in the same Eligible Security, two of which being either both long or both short, and the remaining one being opposite to the other two, can be illustrated by using the following example. The example demonstrates that any offsetting by cross-day netting will be effected first against the oldest opposite stock position.

Participant A has the following three positions in stock X on S-day.

Due settlement date of stock positions	Unsettled stock positions	Money positions
S-2	2,000(short)	\$2,400CR
S-1	1,000(short)	\$1,300CR
S	2,600(long)	\$3,900DR

At the beginning of S day, the long stock position of 2,600 due on S day will be first offset against the "oldest" outstanding short position, ie. the short stock position of 2,000 due on S-2. The remainder part of the long position will then be offset with the short position of 1,000 due on S-1. The result will be as follows :

Stock	Money	Unsettled	Unsettled
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<b>Stock Positions</b>	<b>positions settled by CNS</b>	<b>positions settled by CNS</b>	<b>stock positions after CNS</b>	<b>money positions after CNS</b>
S-2	2,000(short)	\$2,400CR	Nil	Nil
S-1	600(short)	\$780CR	400(short)	\$520CR
S	2,600(long)	\$3,900DR	Nil	Nil

Following cross-day netting at the beginning of S-day, Participant A will have one outstanding CNS short position in stock X of 400, with a corresponding money position of \$520 CR.

It should be noted that a partial settlement has been made in respect of the outstanding CNS short position of 1,000 due on S-1. The money settlement to be effected as a result of the partial delivery is worked out by multiplying \$1,300 by 600/1,000.

## **10.4 SECURITIES SETTLEMENT UNDER THE CNS SYSTEM**

### **10.4.1 Settlement between HKSCC and Participants**

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

### **10.4.2 Settlement of short stock positions of Participants**

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

- (i) by the input of Delivery Instructions by the delivering Participants;
- (ii) by Batch-settlement-runs automatically carried out in CCASS on each Settlement Day; or
- (iii) by cross-day netting, as referred to in Section 10.3.

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

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

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

### **10.4.3 Settlement of long stock positions of Participants**

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

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

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

### **10.4.4 Partial delivery**

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

## **10.5 MONEY SETTLEMENT UNDER THE CNS SYSTEM**

### **10.5.1 DVP basis**

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

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

### **10.5.2 Money position of daily net CNS stock positions**

For Exchange Trades in the same Eligible Security effected on the same day and accepted for settlement under the CNS System (and effected by the same Special Participant in the case of a Clearing Agency Participant which is a China Connect Clearing House), there will be one daily net stock position, as described in Section 10.3.1(ii).

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

The net money positions derived from offsetting the money positions of the underlying Exchange Trades of a Participant in each Eligible Security in the same Eligible Currency (and in respect of each of its designated Special Participants in the case of a Clearing Agency



Participant which is a China Connect Clearing House) on the same day will be offset against each other to result in a total net money position with HKSCC on each Settlement Day.

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

If two opposite CNS stock positions of a Participant in the same Eligible Security are offset against each other as a result of cross-day netting as described in Section 10.3.1(iii), the money positions of the two CNS stock positions (or, in the case of a Clearing Agency Participant which is a China Connect Clearing House, the money positions of the two CNS stock positions in respect of each of its designated Special Participants) will also be offset against each other to result in a sum to be settled between HKSCC and the Participant concerned. Any unsettled CNS stock position will also have a corresponding money position. The position is illustrated in the example set out in Section 10.3.4.

The money positions of two CNS stock positions of a Participant (or, in the case of a Clearing Agency Participant which is a China Connect Clearing House, the money positions of two CNS stock positions in respect of each of its designated Special Participants) in the same Eligible Security (such CNS stock positions being both long or both short), will continue to be treated as separate and distinct.

### 10.5.4 Partial delivery

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

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

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

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

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

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

### 10.5.7 Example (daily net money position under the CNS System)

The following CNS stock positions of Participant A were settled on S-day.

Stock	Quantity	Money position
X	1,000(long)	\$10,000DR
Y	5,000(short)	\$75,000CR
X	3,000(long)	\$60,000DR
		<u>\$5,000CR</u>

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The net money position of Participant A under the CNS System on S-day is \$5,000CR. The sum of \$5,000 will be payable by HKSCC to Participant A following settlement of the CNS stock positions in CCASS on S-day.

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

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

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

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

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

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

## **10.6 LATE DELIVERY : DEFAULT FEE**

HKSCC may require Participants that fail to settle their CNS stock positions in Eligible

Securities on due dates to pay to it default fees. Default fees levied by HKSCC may be retained by HKSCC for use for such CCASS purposes as HKSCC deems fit. Default fees will be prescribed by HKSCC from time to time.

## **10.7 LATE DELIVERY : COMPULSORY STOCK BORROWING BY HKSCC**

### **10.7.1 Purpose**

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

- (i) meet the aggregate of HKSCC's CNS delivery obligations to Participants, which have not been satisfied as a result of a failure by any Participant to deliver Eligible Securities to HKSCC by the final Batch-settlement-run on the due date (i.e., T+2); or
- (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 Section 10.7.1.

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

Notwithstanding the use of expressions such as "borrow" "lend" "redeliver" etc. which are used to reflect terminology used in the market for transactions entered into in accordance with the Compulsory Stock Borrowing and Lending Regulations, title to Eligible Securities "borrowed" or "lent" provided in accordance with those Regulations shall pass from the Lender to HKSCC as provided for in those Regulations. HKSCC as the party obtaining title being obliged to redeliver title to Equivalent Securities (as defined in the Compulsory Stock Borrowing Regulations) subject to those Regulations to the Lender.

The provisions in these Operational Procedures relating to Compulsory Stock Borrowing Transactions are subject to the detail set out in the Compulsory Stock Borrowing and Lending Regulations from time to time.

### **10.7.2 Creation of Borrowing request of HKSCC**

If, in the final Batch-settlement-run, Eligible Securities made available by delivering Participants are insufficient to cover:

- (i) all long CNS stock positions pursuant to the pre-determined algorithm (see Section 13.4); and/or
- (ii) any Lender which has called for redelivery of Eligible Securities under a Compulsory Stock Borrowing Transaction;

HKSCC will, in respect of each relevant Eligible Security, initiate a compulsory stock borrowing to enable HKSCC to meet its settlement obligations to receiving Participants and/or Lenders (as applicable).

### **10.7.3 Lender Priority List**

For each Eligible Security, HKSCC will, during the day end processing, compile a "Lender Priority List". The Lender Priority List will be used by HKSCC in order to select a Lender with whom HKSCC shall enter into a Compulsory Stock Borrowing Transaction on the following Settlement Day. The Lender Priority List shall be determined by reference to the ratio of total fees paid to a Lender by HKSCC in relation to Compulsory Stock Borrowing Transactions and the total amount of Eligible Securities held in a Lender's Stock Lending Account over the three month period. For the purposes of this section 10.7.3 "the three month period" means the current month and the two months which immediately precede the current month.

The calculation of the priority ratio of a Lender for an Eligible Security is as follows:-

$$\frac{\text{Total fees paid to that Lender by HKSCC in relation to Compulsory Stock Borrowing Transactions over the 3 month period in proportion to that of all Lenders}}{\text{Total holdings of Eligible Securities held in that Lender's Stock Lending Account over the 3 month period in proportion to that of all Lenders}}$$

Lenders are ranked in ascending order of their calculated priority ratio in the Lender Priority List.

Example (Lender Priority List)

Lenders (Participants A, B,C and D) have: (i) earned the following stock lending fees; and (ii) holdings of stock X in their respective Stock Lending Accounts as at end of day Y:

Lender	Current Month (M)		Month M-1		Month M-2	
	Lending Income (\$)	Stock X Holdings (Shs)	Lending Income (\$)	Stock X Holdings (Shs)	Lending Income (\$)	Stock X Holdings (Shs)
A	1,500	1,000,000	2,000	2,000,000	2,500	1,500,000
B	3,000	2,500,000	1,000	1,500,000	1,500	2,000,000
C	1,000	1,000,000	500	1,000,000	1,000	500,000
D	6,000	10,000,000	2,000	2,000,000	1,000	1,000,000
Total	11,500	14,500,000	5,500	6,500,000	6,000	5,000,000

Based on the priority ratio calculation method described above, the priority ratio of the Lenders of Stock X will be:

Lender	Priority Ratio of Stock X
A	$\frac{(1500+2000+2500) / (11500+5500+6000)}{(1m+2m+1.5m) / (14.5m + 6.5m + 5m)} = 1.507246$
B	$\frac{(3000+1000+1500) / (11500+5500+6000)}{(2.5m+1.5m+2m) / (14.5m + 6.5m + 5m)} = 1.036232$
C	$\frac{(1000+500+1000) / (11500+5500+6000)}{=} = 1.130435$

$$\begin{aligned}
 & (1\text{m}+1\text{m}+0.5\text{m}) / (14.5\text{m} + 6.5\text{m} + 5\text{m}) \\
 \text{D} \quad & \frac{(6000+2000+1000) / (11500+5500+6000)}{(10\text{m}+2\text{m}+1\text{m}) / (14.5\text{m} + 6.5\text{m} + 5\text{m})} = 0.782609
 \end{aligned}$$

Based on the calculated priority ratio of the lenders the ranking of Lenders A, B, C and D under the Lender Priority List will be D,B,C and then A, i.e., Lender D will be the first Lender to be selected to enter into a Compulsory Stock Borrowing Transaction in respect of stock X on the next day.

#### 10.7.4 Batch Matching

In the final Batch-settlement-run, HKSCC will match the borrowing requests of HKSCC to Lenders based on the following algorithm:

- (i) priority ratio (lowest) - a Lender which has lowest priority ratio for a particular stock, then
- (ii) random if Lenders have same priority ratio.

Upon matching, a new unique "Lending Position Number" will be assigned.

Each Compulsory Stock Borrowing Transaction shall remain outstanding until there is a redelivery or a payment of cash compensation in accordance with the Compulsory Stock Borrowing and Lending Regulations. For each day on which a Compulsory Stock Borrowing Transaction is outstanding, HKSCC will pay a Lender as the counterparty of the Compulsory Stock Borrowing Transaction a stock lending fee calculated at the annual percentage most recently announced by HKSCC via CCASS Terminals, Participant Gateways or circular divided by 365 and multiplied by the day-end nominal value (based on the stock price transmitted by the Exchange to HKSCC) of the borrowed securities under that Compulsory Stock Borrowing Transaction. For any day which is not a trading day, the last day-end nominal value (based on the stock price transmitted by the Exchange to HKSCC) of the borrowed securities under the Compulsory Stock Borrowing Transaction will be used. A one day stock lending fee will be paid if Eligible Securities are redelivered to the Lender on the same day on which the borrowed Eligible Securities are delivered to HKSCC. The fee is calculated and payable on a daily basis by DCI.

#### 10.7.5 Recall Request

In relation to a Compulsory Stock Borrowing Transaction, the Lender may call for redelivery of all but not part only of the equivalent Eligible Securities at any time by serving a notice of recall on HKSCC. Any notice of recall which is input by the Lender before 12:00 noon on any Business Day shall be treated as having been served on that day. Any notice of recall which is input at any other time shall be treated as having been served on the next succeeding Business Day following the date of input. Except as expressly provided in the Compulsory Stock Borrowing and Lending Regulations (see Appendix 6), HKSCC shall redeliver Eligible Securities within five Business Days after the date notice of recall is treated as having been served. Lenders shall not, in relation to any Compulsory Stock Borrowing Transaction, submit a notice of recall on the same day as Eligible Securities are delivered to HKSCC under that transaction; however, nothing herein shall restrict HKSCC from terminating a particular Compulsory Stock Borrowing Transaction in whole or in part and redelivering the relevant Eligible Securities under that transaction at any time (including under that transaction) on the same day as the Eligible Securities are delivered to HKSCC.

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The Lender shall, in relation to any borrowing of Eligible Securities, specify, in the relevant notice of recall, the Stock Account to be credited with the redelivered Eligible Securities.

In relation to any Compulsory Stock Borrowing Transaction, the Lender may elect for cash compensation to be paid by HKSCC in accordance with the Compulsory Stock Borrowing and Lending Regulations. Any such payment made by HKSCC shall constitute complete satisfaction of HKSCC's redelivery obligations under that transaction.

#### **10.7.6 Redelivery**

Eligible Securities may, at the election of HKSCC, be redelivered by batch processing during the final Batch-settlement-run (see Section 6.2(iv)) or through on-line delivery between 9:30 a.m. and 3:45 p.m. on a Business Day.

In relation to Compulsory Stock Borrowing Transactions which are settled by redelivery through batch processing, HKSCC will redeliver in accordance with the following allocation algorithm:

- (i) status - outstanding Compulsory Stock Borrowing Transactions in respect of which a notice of recall has been validly served (referred to in this section 10.7.6 as transactions with 'Recalled' status) will be settled with priority over all other Compulsory Stock Borrowing Transactions (referred to in this section 10.7.6 as transactions with 'Active' status); and if more than one Compulsory Stock Borrowing Transaction shares the same status, then
- (ii) age (oldest) - for transactions with 'Active' status, the transaction which has remained outstanding for the longest time will be settled with priority and for transactions with 'Recalled' status, the transaction which has remained unsettled for the longest time since the date the notice of recall is treated as having been served will be settled with priority; and if Eligible Securities were delivered to HKSCC on the same date in respect of more than one Compulsory Stock Borrowing Transaction, then, in relation to those transactions,
- (iii) random.

At any time, Lenders may receive partial redeliveries of Eligible Securities in respect of outstanding Compulsory Stock Borrowing Transactions in accordance with the Compulsory Stock Borrowing and Lending Regulations.

#### **10.7.7 Entitlements arising from borrowed securities**

The procedures relating to entitlements arising in respect of borrowed Eligible Securities shall be specified in the Compulsory Stock Borrowing and Lending Regulations.

#### **10.7.8 Cash Compensation to discharge HKSCC's obligations**

If, in relation to a Compulsory Stock Borrowing Transaction:

- (a) Eligible Securities are not redelivered by the fifth Business Day of the date on which a notice of recall is treated as having been served and the Lender elects to receive cash compensation;
- (b) the date on which Eligible Securities are to be redelivered falls on a day when the relevant Eligible Security is suspended from trading on the Exchange and HKSCC elects to pay cash compensation; or

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- (c) the Eligible Securities borrowed are suspended from trading on the Exchange for 31 consecutive days and HKSCC elects to pay cash compensation;

Then such cash compensation shall be paid in an amount which HKSCC fairly and reasonably believes to be the value of the Eligible Securities which are to be redelivered calculated, where appropriate, by reference to the closing price transmitted to HKSCC by the Exchange of such securities on the date that cash compensation is paid.

Cash compensation paid by HKSCC in respect of a Compulsory Stock Borrowing Transaction shall constitute complete satisfaction of HKSCC's obligations in respect of that transaction.

For further details reference should be made to the Compulsory Stock Borrowing and Lending Regulations (see Appendix 6).

#### **10.7.9 Functions available for use**

The functions available for use by a Participant via a CCASS Terminal in relation to a Compulsory Stock Borrowing Transaction are as follows:

- (i) "Add Recall Request" function: which allows a Participant to input a notice of recall;
- (ii) "Change Cash Compensation Indicator" function: which allows a Participant to elect to receive cash compensation;
- (iii) "Enquire Lending Position" function: which provides the details of outstanding Compulsory Stock Borrowing Transactions of a Participant; and
- (iv) "Enquire Stock Borrowing Information" function: which provides the summary of new and outstanding stock loans made in CCASS and total holdings of Eligible Securities available for borrowing in CCASS.

#### **10.7.10 Reports available**

The reports available to a Participant via a CCASS Terminal or a Participant Gateway in relation to Compulsory Stock Borrowing Transactions are as follows:

- (i) Stock Borrowing/Lending Activity Report: this report lists notices of recall, elections to receive cash compensation and redeliveries by HKSCC each in relation to a Participant;
- (ii) Stock Borrowing/Lending Position Status Report: this report lists a Participant's Compulsory Stock Borrowing Transactions by 'Active' status, 'Recalled' status, 'Returned' status, 'Frozen' status (due to the Participant being declared a defaulter in accordance with the Rules), 'Cancelled' status (due to delisting, compulsory takeover or exchange of shares in relation to the Participant's borrowed securities, etc.), 'Compensated' status (due to cash compensation paid by HKSCC in relation to the Participant's borrowed securities) and 'Converted' status (due to consolidation, splitting etc. in relation to the Participant's borrowed securities).

### **10.8 LATE DELIVERY : BUY-IN**

#### **10.8.1 Purpose**

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

#### **10.8.2 Timing of Buy-in**



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

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

Notwithstanding the preceding paragraph, HKSCC may require a Buy-in trade (which will be an Exchange Trade, if effected on the Exchange) to be settled under the Isolated Trades System. Although a Buy-in will normally be subject to the usual T+2 settlement period, HKSCC may also require a Buy-in to be settled on the same day of execution or such other period as HKSCC in its absolute discretion considers appropriate.

In the event that a short Participant wishes to make an irrevocable request to HKSCC to execute a Buy-in pursuant to Rule 3501(iv), such Participant shall complete and submit to HKSCC the prescribed form of request (See CCASS Terminal User Guide for Participants for the form). HKSCC reserves the right to accept or reject the short Participant's Buy-in request in its absolute discretion as it may think fit. If the request form is received and accepted by HKSCC between 8:01 p.m. and 12:00 noon, orders will be placed on or off the Exchange during the afternoon trading session at the Exchange. If the request form is received and accepted by HKSCC between 12:01 p.m. and 8:00 p.m., orders will be placed on or off the Exchange on the following trading day. HKSCC shall effect the Buy-in at what it determines to be the best prevailing market price and terms available (but taking into account HKSCC may need to act promptly and provided that HKSCC shall have no liability if it acts in good faith). The short Participant shall be liable to and shall indemnify HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC against all costs and expenses incurred by HKSCC in connection with the Buy-in.

### **10.8.3 Exemption from Buy-in**

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

- (i) the Participant applying for exemption or the delivering Participant has made a deposit of sufficient Eligible Securities into the CCASS Depository prior to 4:15 p.m. on a Settlement Day but the CCASS Depository is unable to process the stock deposit before the final Batch-settlement-run;
- (ii) defects in the relevant instruments of transfer (such as use of outdated instruments of transfer, the transferor's signature not being in the correct place or defacement of the instrument of transfer) provided that there is prima facie evidence that the transferor has signed the instrument of transfer;
- (iii) [Repealed]
- (iv) the relevant Eligible Securities are not credited to the Stock Clearing Account of the Participant applying for exemption due to severe weather conditions, acts of God or due to the occurrence of other events beyond the relevant Participant's reasonable

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control such as labour disputes, strike, mechanical breakdowns, computer or electronic system or network failures, unavailability of or restrictions on any communication media or any other event (including sanctions or the issuance of a court order or a restriction notice or order by a competent authority) as determined by HKSCC at its sole discretion to be an acceptable ground for exemption on a case-by-case basis;

- (v) in respect of oversold trades due to clerical or calculation error of the short Participant applying for exemption (or in the case of a GCP, including such oversold trades of its NCP designated to it for clearing), the delivery obligations of the Participant applying for exemption will be settled fully on T+3 pursuant to purchase transactions executed on T+1, or, if trading of the underlying Eligible Security is suspended on T+1, within two Settlement Days after resumption of trading;
- (vi) in respect of assigned Clearing Agency Transactions, the delivery obligations of the Participant applying for exemption will be settled fully on T+3 pursuant to purchase transactions executed on T+1, or, if trading of the underlying Eligible Security is suspended on T+1, within two Settlement Days after resumption of trading;
- (vii) for trades where a client buys and sells the same Eligible Securities on the same day through different Exchange Participants), sufficient Eligible Securities which are due to be credited to the Stock Clearing Account of the delivering Participant by HKSCC for onward delivery to the Participant applying for exemption have not been so credited as a result of relevant Eligible Securities not having been made available to HKSCC by Participants with short stock positions under the CNS System for allocation on the relevant due Settlement Day;
- (viii) [Repealed]
- (ix) in respect of Units or Eligible Securities to be received from a creation or redemption of Units, the Participant applying for exemption has an unconditional entitlement to receive sufficient Units or Eligible Securities to cover the relevant short position on T+2;
- (x) the Participant applying for exemption can provide evidence satisfactory to HKSCC that it or the delivering Participant has sufficient Eligible Securities in its Stock Account on T+2 to cover the relevant short position and the Participant applying for exemption or the delivering Participant has received valid instruction from the selling client to make delivery of the relevant Eligible Securities for settlement on T+2 but is unable to do so due to clerical error;
- (xi) in respect of transactions in Eligible Securities which are subject to parallel trading on the Exchange or transfers of Multi-counter Eligible Securities as referred to in Rule 816A or Rule 1008, the Participant applying for exemption or the delivering Participant has: (a) long positions in Eligible Securities or Multi-counter Eligible Securities of the relevant issuer (as the case may be); or (b) sufficient Eligible Securities or Multi-counter Eligible Securities of the relevant issuer (as the case may be) in its Stock Account, which following conversions of such long positions or holdings of Eligible Securities (as applicable) or transfers of Multi-counter Eligible Securities in CCASS, are sufficient to settle the relevant short positions on T+2;
- (xii) in respect of market making transactions in any Market Making Security as specified by HKSCC from time to time, the Participant applying for exemption has duly executed Cross-Border Transfer Instructions transferring sufficient Eligible Securities to HKSCC's account with the Appointed Depository to cover the relevant short

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position resulting from the market making activities as aforesaid on T+2 but is unable to cover such short position on T+2 due to clerical error of the Participant or the Appointed Depository;

- (xiii) in respect of market making transactions in any Market Making Security as specified by HKSCC from time to time, the Participant applying for exemption has sufficient Eligible Securities to cover the relevant short position resulting from the market making activities as aforesaid on T+2 but the transfer of the Eligible Securities by Cross-Border Transfer Instructions to HKSCC's account with the Appointed Depository cannot be effected to cover the relevant short position as a result of a holiday in the market of the Appointed Depository;
- (xiv) the person who is under an obligation to deliver, whether directly or indirectly, to the Participant applying for exemption the relevant quantity of Eligible Securities for settlement had lent such Eligible Securities and has duly executed a notice of recall pursuant to which such Eligible Securities will be delivered to the Participant on T+3 for settlement of its delivery obligation in full, and that person is an approved lending agent as defined in the Securities and Futures (Disclosure of Interests – Securities Borrowing and Lending) Rules; or
- (xv) in respect of market making transactions in any Market Making Security as specified by HKSCC from time to time, the Participant applying for exemption can provide evidence satisfactory to HKSCC that a creation, borrowing and/or purchase of sufficient Eligible Securities has been effected but the relevant Eligible Securities will only be delivered on T+3 to cover the short positions resulting from the market making activities. HKSCC will review this exemption from time to time and may suspend the availability of this exemption for any Participant and any Market Making Security at any time and for such period in its absolute discretion.

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

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

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

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

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authorized brokers as HKSCC in its absolute discretion considers appropriate.

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

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

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

In respect of an exemption claimed under Section 10.8.3(v), the Participant applying for exemption will have to provide HKSCC with a copy of (i) the relevant report to the Exchange and (ii) the relevant CCASS report evidencing a purchase has been executed on T+1 to cover the shortfall of Eligible Securities. If the trading of the underlying Eligible Security is suspended on T+1, a copy of the relevant CCASS report evidencing a purchase has been executed upon resumption of trading shall be provided as soon as practicable subsequent to the submission of the application for exemption under Section 10.8.3(v).

In respect of an exemption claimed under Section 10.8.3(vi), the Participant applying for exemption will have to provide HKSCC with a copy of (i) the assignment report generated by The SEHK Options Clearing House Limited and (ii) the relevant CCASS report evidencing a purchase has been executed on T+1 to cover the shortfall of Eligible Securities. If the trading of the underlying Eligible Security is suspended on T+1, a copy of the relevant CCASS report evidencing a purchase has been executed upon resumption of trading shall be provided as soon as practicable subsequent to the submission of the application for exemption under Section 10.8.3(vi).

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

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

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

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

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

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

- (i) in respect of the short stock positions of a short Participant under the CNS System still outstanding at the end of the due date (i.e., T+2), a Buy-in Notification Report containing such outstanding short stock positions will be generated by HKSCC. Unless (a) HKSCC grants an exemption under Section 10.8.3, (b) there is a risk management reason affecting HKSCC which is considered valid by the Risk Management Committee or (c) a Buy-in has been executed by HKSCC pursuant to Rule 3501(iv) in respect of the short CNS stock positions of a short Participant, HKSCC shall have the right, but shall not be obliged, to effect Buy-in on T+3 (or if it is not practicable to do so on T+3, at any time thereafter) as HKSCC in its absolute discretion considers appropriate of all outstanding short stock positions stated in the Buy-in Notification Report;
- (ii) the Buy-in Notification Report will be available to the short Participant through its CCASS Terminals and Participant Gateways after the final Batch-settlement-run;
- (iii) the short Participant may apply for exemption from Buy-in to HKSCC in accordance with the provisions of section 10.8.4;
- (iv) HKSCC may instruct its authorized brokers to assist in effecting a Buy-in on or off the Exchange;
- (v) HKSCC shall effect a Buy-in at what it determines to be the best prevailing market price and terms available (but taking into account HKSCC may need to act promptly and provided that HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC shall have no liability if HKSCC acts in good faith). The short Participant shall be liable to and shall indemnify HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC against all costs and expenses incurred by HKSCC in connection with the Buy-in;
- (vi) after effecting such a Buy-in, the relevant Buy-in details will be available to the short Participant via the CCASS enquiry function of "Enquire Buy-in Confirmation". The relevant Buy-in details will also be posted under the section "Buy-in Confirmation" in the Buy-in Notification Report; and
- (vii) upon receipt of confirmation of good funds in relation to the cost of the Buy-in, Eligible Securities received under the Buy-in will be delivered to the short Participant.

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

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

The selling counterparty Exchange Participant to a Buy-in will then identify the Buy-in trade as one to be settled under the Isolated Trades System by keying in "B" in the "reference field" on the trading terminal of the Exchange.

Where relevant, the selling counterparty Exchange Participant to a Buy-in will also be informed that the Buy-in is to have a different settlement period than the normal settlement period of T+2.

If the selling counterparty Exchange Participant (or where applicable, its GCP) to a Buy-in fails to settle on time, it will be subject to a further Buy-in to be effected under the Isolated Trades System.

**10.8.7 Example (Buy-in Exemption)**

In respect of oversold trades due to calculation or clerical errors, exemption from Buy-in on T+3 will be granted on the condition that the exempted quantity is purchased on T+1.

Example: Broker A has executed the following Exchange Trade in stock Y.

	<b>T day</b> (Sept 1)	<b>T+1</b> (Sept 2)	<b>T+2</b> (Sept 3)	<b>T+3</b> (Sept 4)
Trade quantity	-15,000	+5,000 -14,000	0	0
Day end CNS position	-15,000	-9,000		
Due position			-15,000	-15,000 -9,000
Outstanding position at day end			-15,000	-12,000** -9,000
Outstanding quantity subject to Buy-in on the following trading day			10,000*	9,000*** 2,000***

\* Broker A applies for Buy-in exemption on Sept 3 for 5,000 shares which he claims to be oversold and bought back on Sept 2. As a result of the exemption, only 10,000 shares (15,000 shares - 5,000 shares) are subject to Buy-in.

\*\* The broker has deposited 3,000 shares to his account on Sept 4 and thus reducing the outstanding balance to 21,000 shares (12,000 shares + 9,000 shares) at day end.

\*\*\* The 9,000 shares due on Sept 4 which remain unsettled at day end of Sept 4 will be subject to Buy-in. In respect of the 2,000 shares due on Sept 3 which remain unsettled at day end of Sept 4, HKSCC may consider executing a Buy-in in its absolute discretion as it may think fit.

**10.8.8 Participants may effect cash prepayment**

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

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

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**10.8.9 Procedures**

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

- (a) Cash Prepayment Instructions with “CHATS” set as the payment method
  - (i) Participants that wish to make prepayments by means of CPIs shall select “CHATS” as the payment method when creating a Cash Prepayment Instruction via a CCASS Terminal from 8:00 a.m. to 2:00 p.m. or such other time specified by HKSCC from time to time or when creating a Cash Prepayment Standing Instruction via a CCASS Terminal from 8:00 a.m. to 7:00 p.m. or such other time specified by HKSCC from time to time;
  - (ii) To avoid undue concentration of HKSCC's exposure to a bank appointed by HKSCC as receiving bank for cash payment, cash prepayment is subject to the concentration limit predetermined by HKSCC in respect of an appointed receiving bank. HKSCC will only accept or generate Cash Prepayment Instructions within the predetermined concentration limit of the receiving bank. In case a Cash Prepayment Standing Instruction is created and authorized by a Clearing Participant, Cash Prepayment Instructions will be generated by HKSCC, if applicable, at approximately 8:00 a.m. starting from the following Settlement Day;
  - (iii) Upon the creation and authorization of Cash Prepayment Instructions by Participants or the generation of Cash Prepayment Instructions by HKSCC pursuant to Cash Prepayment Standing Instructions, CPIs will be generated to collect the cash prepayments from their Designated Bank Accounts. The CPIs information will be included in the Electronic CHATS Payment Instruction Report (CSEPI03). Based on the report, Designated Banks will issue CPIs to the Clearing House of HKAB to make payment on their behalf. Clearing Participants must ensure that there are sufficient funds in their Designated Bank Accounts and that the CHATS payments are completed by their Designated Banks no later than 3:30 p.m. or such other time as may be prescribed by HKSCC from time to time;
  - (iv) Upon being notified by the Clearing House of HKAB of the finality of such payment, HKSCC will update the Miscellaneous Accounts of Participants' Money Ledgers to reduce their corresponding monetary obligations due to HKSCC and as a result, release the Eligible Securities received under the Buy-ins to the Participants. Participants' Statements of Money Ledger will show the relevant entries. Participants can check the status of a Cash Prepayment Instruction via the CCASS enquiry function of “Enquire Cash Prepayment Instruction”; and
  - (v) In case the relevant cash payment under a Cash Prepayment Instruction input or generated on a Business Day is not received by HKSCC, the Cash Prepayment Instruction will be purged from CCASS at the end of the Business Day.
- (b) Cash Prepayment Instructions with “OTHERS” set as the payment method
  - (i) Participants that wish to make prepayments by other means must indicate “OTHERS” as the payment method when creating a Cash Prepayment Instruction via a CCASS Terminal from 8:00 a.m. to 2:30 p.m. or such other time specified by HKSCC from time to time or when creating a Cash

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Prepayment Standing Instruction via a CCASS Terminal from 8:00 a.m. to 7:00 p.m. or such other time specified by HKSCC from time to time;

- (ii) To avoid undue concentration of HKSCC's exposure to a bank appointed by HKSCC as receiving bank for cash payment, cash prepayment is subject to the concentration limit predetermined by HKSCC in respect of each appointed receiving bank. HKSCC will only accept or generate Cash Prepayment Instructions within the predetermined concentration limit of the receiving bank. In case a Cash Prepayment Standing Instruction is created and authorized by a Participant, Cash Prepayment Instructions will be generated by HKSCC, if applicable, at approximately 8:00 a.m. starting from the following Settlement Day;
- (iii) Participants must ensure that same day available funds are transferred to HKSCC's specified bank account no later than 2:45 p.m. or such other time prescribed by HKSCC from time to time. For Participants using the same bank as the appointed receiving bank of HKSCC, they can make use of the internal account transfer function of the bank (see CCASS Terminal User Guide for Participants for details) or its electronic banking system to transmit available funds. For others, they can instruct their banks to make payment to HKSCC via inter-bank transfer with CHATS payment (see CCASS Terminal User Guide for Participants for details);
- (iv) Based on the details of Cash Prepayment Instructions, HKSCC will follow up the funds with its appointed receiving bank and the relevant Participants. Only when available funds in the relevant Eligible Currency are confirmed will HKSCC update Participants' Miscellaneous Accounts of Money Ledger to reduce their corresponding monetary obligations due to HKSCC and as a result, release the Eligible Securities received under the Buy-ins to the Participants. Participants' Statements of Money Ledger will show the relevant entries. Participants can check the status of a Cash Prepayment Instruction via the CCASS enquiry function of "Enquire Cash Prepayment Instruction";
- (v) Acceptance of the prepayment requests will be at HKSCC's full discretion. If Participants fail to follow the procedures, and/or for any other reason the requests are subsequently turned down by HKSCC, then the funds received will only be refunded the following Business Day without interest;
- (vi) In the event of default of payment (e.g., for any transfers subsequently reversed by the Clearing House of HKAB), HKSCC shall have recourse against the relevant Participant;
- (vii) In case cash remittance is made by a Participant to HKSCC as cash prepayment not pursuant to any Cash Prepayment Instruction, HKSCC reserves the right not to effect the updating of the Participant's Money Ledger on the same day. Such cash payment will be refunded without interest to the Participant by crediting the cash payment amount to its Money Ledger on the next Business Day; and
- (viii) In case the relevant cash payment under a Cash Prepayment Instruction input or generated on a Business Day is not received by HKSCC, the Cash Prepayment Instruction will be purged from CCASS at the end of the Business Day.

## **10.9 LATE DELIVERY : ADJUSTMENTS FOR ENTITLEMENTS**

### **10.9.1 General**



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A Participant's entitlement to participate through CCASS in corporate actions etc. affecting Eligible Securities will be determined by HKSCC by reference to the holding of that Participant in the relevant Eligible Securities as at the date on which the entitlement of HKSCC or the Nominee is determined (usually the last registration day before the relevant book close or record date).

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

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

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

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

#### **10.9.2 General principles**

The facilities and procedures in CCASS in relation to adjustments or claims to entitlements as a result of late deliveries under the CNS System reflect HKSCC's role as the settlement counterparty to the Long Clearing Participants and to the Short Clearing Participants.

Under these facilities and procedures in CCASS, HKSCC will pass on entitlements it receives from the Short Clearing Participants to the Long Clearing Participants. HKSCC may also require the Short Clearing Participants to pay such additional amount to ensure that, Long Clearing Participants will, in so far as practicable, be put in the same position as if there had been no late delivery under the CNS System. Accordingly, even if Short Clearing Participants fail to deliver securities or other cash entitlements accruing to Eligible Securities, HKSCC will still be responsible to Long Clearing Participants in the manner as indicated below. Except as expressly provided, HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC shall have no liability to Long Clearing Participants.

To ensure that Short Clearing Participants comply with the relevant CCASS procedures and to minimize its risk exposure to such Short Clearing Participants, HKSCC may, under the Rules, require Short Clearing Participants to provide cash Collateral or to purchase relevant securities, or HKSCC may itself purchase the relevant securities. HKSCC will normally redeliver the cash Collateral upon receipt from the Short

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Clearing Participant of the relevant securities required, or if that is not possible or reasonably practicable, at such other time as HKSCC considers appropriate.

Section 10.9.3 explains how the principles set out in this Section will apply to the different categories of corporate actions affecting Eligible Securities.

Section 10.9.4 to Section 10.9.16 deal with specific types of corporate actions affecting Eligible Securities and explain how adjustments for entitlements will be processed in CCASS in such cases.

Section 10.9.17 deals with fractional securities entitlements as a result of the relevant adjustment procedures in CCASS.

HKSCC will from time to time notify Participants of the procedures or additional procedures to be followed in relation to adjustments for entitlements under the CNS System in respect of corporate actions, either generally or on a case by case basis.

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

### **10.9.3 Different categories of corporate actions**

Corporate actions affecting Eligible Securities can be broadly divided into four categories. The extent of procedures and facilities available in CCASS in relation to adjustments for entitlements in respect of the four categories of corporate actions can be summarized as follows :

- (i) Announcements/communications : in relation to announcements or issues of circulars by issuers of Eligible Securities, no facilities will be offered in CCASS for "adjustments" to entitlements. All Participants in CCASS should have access to these announcements or circulars (see Section 8.4 and Section 8.5);
- (ii) Voting : in relation to corporate actions to be voted on, only limited facilities will be offered in CCASS to allow Long Clearing Participants to give instructions relating to voting through CCASS (see Section 10.9.4);
- (iii) Entitlements/actions (not requiring the exercise of discretion): in relation to corporate actions such as dividend payments or bonus issues of securities, where no decision is required to be made by Participants, HKSCC will normally establish procedures in CCASS whereby relevant entitlements (money or securities) will be collected by it from the Short Clearing Participants and then distributed to Long Clearing Participants (see Section 10.9.5, Section 10.9.6, Section 10.9.11A and Section 10.9.12); and
- (iv) Entitlements/actions (requiring the exercise of discretion) : in relation to corporate actions affecting Eligible Securities, such as rights issues, take-over offers etc., where a decision as to whether or not to participate in such corporate actions is required to be made by Participants. In most cases, the relevant CCASS procedures will involve HKSCC obtaining relevant instructions from Long Clearing Participants and requiring Short Clearing Participants to comply accordingly (see Section 10.9.7, Section 10.9.8, Section 10.9.9, Section 10.9.10 and Section 10.9.11).

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**10.9.4 Voting**

Long Clearing Participants that wish to give instructions relating to voting for a meeting held in Hong Kong may apply to HKSCC by completing and submitting to HKSCC a "Voting Request Form - CNS Positions" (see CCASS Terminal User Guide for Participants for the form) by 2:00 p.m. one Business Day before the relevant meeting date or by such other means specified by HKSCC which may be subject to other time limits. Otherwise, the deadline prescribed by HKSCC on Long Clearing Participants for the giving of instructions will be on a day which in the opinion of HKSCC would enable it to have sufficient time to submit the proxy form or the relevant document for appointment of corporate representative, as the case may be, to the designated place by the stipulated time. This will be dealt with by HKSCC in the normal way (see Section 8.6.2).

To the extent that there are available relevant Eligible Securities in CCASS for which voting instructions with or without demand poll request have not been received from relevant Participants, HKSCC may in its absolute discretion entertain requests to vote by Long Clearing Participants. Long Clearing Participants that are unable to vote in respect of the relevant Eligible Securities or whose requests are not entertained by HKSCC shall have no claim against HKSCC.

**10.9.5 Cash dividend entitlements**

In the case of cash dividends in an Eligible Currency, the following procedures will usually apply :

- (i) on the Business Day following the last Settlement Day preceding the relevant book-close or record date, HKSCC will debit the Entitlements Account (a sub-account of the Money Ledger) of the Short Clearing Participants to collect from them amounts in respect of dividends accruing to their outstanding short CNS stock positions; and
- (ii) on the dividend payment date, HKSCC will credit the Entitlements Accounts of the Long Clearing Participants with amounts in respect of dividends accruing to their outstanding long CNS stock positions.

In the case of cash dividends in a foreign currency which is not an Eligible Currency, the following procedures will usually apply :

- (i) Short Clearing Participants will be required to arrange for funds of the exact amount and currency in respect of dividends accruing to their outstanding short CNS stock positions to be directly paid into the stated bank account of HKSCC by telegraphic transfers (see below);
- (ii) such transfers by the Short Clearing Participants, as referred to in paragraph (i) above, are to be provided to HKSCC at the latest by the close of business on the Business Day following the book-close or record date or other time specified by HKSCC. At the time of arranging such transfers, Short Clearing Participants are also required to submit evidence of such transfers, such as application forms to their banks, to HKSCC; and
- (iii) on the dividend payment date, HKSCC will make available for collection by the Long Clearing Participants relevant foreign currency bank drafts for the amounts in respect of dividends accruing to their outstanding long CNS stock positions. The costs and expenses of arranging these bank drafts will be charged to the Long Clearing Participants.

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Any funds derived from payment of cash dividends in a currency which is not an Eligible Currency from Short Clearing Participants must be transferred to one or more bank accounts of HKSCC as from time to time specified by it.

Without prejudice to the above, if HKSCC is reasonably satisfied that the Long Clearing Participants in respect of any or all of their long outstanding CNS stock positions are exempt from or are eligible for a lower rate of withholding tax but the dividends accruing to the Short Clearing Participants' outstanding short CNS stock positions are net of a higher rate of withholding tax (whether withheld by HKSCC or any other parties), HKSCC may require Short Clearing Participants to pay such additional amount, in any Eligible Currency as may be determined by HKSCC from time to time, so that the Long Clearing Participants will receive such amount of cash dividend entitlements as if there had been no late delivery under the CNS System.

HKSCC will be responsible, following the distribution date, to pay Long Clearing Participants the cash dividend entitlements accruing to their outstanding CNS long stock positions irrespective of whether or not HKSCC receives such entitlements from Short Clearing Participants.

#### **10.9.6 Bonus issues of securities**

In relation to bonus issues of securities, the following procedures will usually apply :

- (i) Short Clearing Participants will normally be required by HKSCC to provide Collateral in the form of cash on the Business Day following the last Settlement Day preceding the relevant book-close or record date;
- (ii) where the bonus securities concerned are already available in the market, Short Clearing Participants are required to have in their Entitlement Account (their Stock Segregated Account 02) the number of bonus securities accruing to their outstanding short CNS stock positions on or before the distribution date of such bonus securities;
- (iii) in the event that a Short Clearing Participant fails to have the relevant number of bonus securities in its Entitlement Account at the close of business on the distribution date referred to in paragraph (ii) above, HKSCC will normally require such Short Clearing Participant to purchase such bonus securities for delivery to HKSCC and the purchase will have to be effected on the Business Day following the distribution date;
- (iv) where the bonus securities concerned are not yet available in the market, Short Clearing Participants will have until the day before the first dealing date of such bonus securities to have the relevant number of bonus securities in their Entitlement Accounts and failure to do so will normally result in HKSCC requiring such Short Clearing Participant to purchase the relevant number of bonus securities on the first dealing date of such bonus securities;
- (v) in the event a Short Clearing Participant fails to purchase the relevant bonus securities as required by HKSCC, HKSCC may itself purchase such bonus securities for the account of that Short Clearing Participant; and
- (vi) upon receipt of all the relevant bonus securities from the Short Clearing Participants, HKSCC will credit such bonus securities into the Entitlement Accounts of the Long Clearing Participants on or after the relevant distribution dates. If such bonus securities are not Eligible Securities, HKSCC will require the Long Clearing Participants to withdraw such bonus securities from the CCASS Depository.

HKSCC will be responsible, following the distribution date, to deliver to Long Clearing

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Participants the bonus securities accruing to their outstanding CNS long stock positions (or if that is not possible or reasonably practicable, as determined by HKSCC, HKSCC shall provide money compensation to the Long Clearing Participants by reference to the value of such bonus securities as determined by HKSCC), irrespective of whether or not HKSCC receives such entitlements from Short Clearing Participants.

#### **10.9.7 Dividend entitlements with options**

In relation to dividend entitlements with options, the following procedures will usually apply:

- (i) Short Clearing Participants will normally be required by HKSCC to provide Collateral in the form of cash on the Business Day following the last Settlement Day preceding the relevant book-close or record date;
- (ii) Long Clearing Participants will be required to elect the option they prefer via CCASS Terminals or by such other means specified by HKSCC;
- (iii) Based on the options chosen by the Long Clearing Participants (or their default options), HKSCC will require the Short Clearing Participants to provide it with the relevant entitlements (in the form as required by HKSCC). The way in which such dividend entitlements are to be provided by the Short Clearing Participants will be as specified in Section 10.9.5 (for cash dividends in an Eligible Currency or in a currency which is not an Eligible Currency) and Section 10.9.6 (for stock dividends), as the case may be; and
- (iv) upon receipt of all the dividend entitlements from Short Clearing Participants, HKSCC will credit such dividend entitlements into the Long Clearing Participants' Entitlement Accounts (for stock dividends), their Entitlements Accounts (for cash dividends), or notify them to collect foreign currency bank drafts, in the manner as specified in Section 10.9.5 and Section 10.9.6, as the case may be.

HKSCC will be responsible, following the distribution date, to pay Long Clearing Participants the relevant cash dividends or to deliver the stock dividends accruing to their outstanding CNS long stock positions (or if that is not possible or reasonably practicable in the case of stock dividend entitlements, as determined by HKSCC, HKSCC shall provide money compensation to the Long Clearing Participants by reference to the value of such stock dividends as determined by HKSCC), irrespective of whether or not HKSCC receives such entitlements from Short Clearing Participants.

#### **10.9.8 Rights issues**

In relation to rights issues (other than rights issues relating to China Connect Securities), the following procedures will usually apply:

- (i) Short Clearing Participants will normally be required by HKSCC to provide Collateral in the form of cash on the Business Day following the last Settlement Day preceding the relevant book-close or record date;
- (ii) Short Participants will be required to have the relevant number of nil paid rights in their Entitlement Account on or before the day before the first dealing date of such nil paid rights;
- (iii) if a Short Clearing Participant fails to have the relevant number of nil paid rights in its Entitlement Account in time, HKSCC will normally require such Short Clearing Participant to purchase such nil paid rights for delivery to HKSCC and the purchase will have to be effected on the first dealing date of such nil paid rights;

- (iv) in the event a Short Clearing Participant fails to purchase relevant nil paid rights as required by HKSCC, HKSCC may itself purchase such nil paid rights for the account of such Short Clearing Participant; and
- (v) upon receipt of all nil paid rights from Short Clearing Participants, HKSCC will credit such nil paid rights into the Entitlement Accounts of the Long Clearing Participants.

If Short Clearing Participants fail to deliver nil paid rights required to enable Long Clearing Participants to apply for rights shares, they will be required to deliver to HKSCC the rights shares which would have been subscribed for by the Long Clearing Participants (based on the instructions of Long Clearing Participants to HKSCC) by depositing the rights shares into their Entitlement Accounts on or before the day of distribution of the rights shares. If a Short Clearing Participant fails to have the relevant number of rights shares in its Entitlement Account in time, HKSCC will normally require such Short Clearing Participant to purchase such rights shares for delivery to HKSCC and the purchase will have to be effected on the Business Day following the date of distribution of rights shares. In the event that such Short Clearing Participant fails to purchase the relevant rights shares as required by HKSCC, HKSCC may itself purchase such rights shares for the account of that Short Clearing Participant. Following delivery, the relevant subscription monies from the Long Clearing Participants will be paid to the Short Clearing Participants.

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

If Long Clearing Participants fail to receive rights shares applied for in respect of their outstanding CNS long stock position as a result of late delivery under the CNS System, HKSCC will be responsible, following distribution date, to deliver such rights shares to Long Clearing Participants (against receipt of the relevant subscription monies) or if that is not possible or reasonably practicable as determined by HKSCC, HKSCC shall provide money compensation to the Long Clearing Participants by reference to the value of such rights shares as determined by HKSCC (but taking into account the subscription monies paid or payable by Long Clearing Participants), irrespective of whether or not HKSCC receives such rights shares from Short Clearing Participants.

#### **10.9.9 Open Offers**

In relation to open offers (other than open offers relating to China Connect Securities), the following procedures will usually apply:

- (i) Long Participants wishing to apply for new shares or excess shares under an open offer will be required to complete and submit to HKSCC a "Subscription of Open Offer Form - CNS Positions" (see CCASS Terminal User Guide for Participants for the form) and provide HKSCC with a cashier's order for the relevant amount or by such other means as specified by HKSCC by 2:00 p.m. on the Business Day before the last day for acceptances under an open offer or any other time as specified by HKSCC;
- (ii) in the event that the Long Clearing Participants fail to obtain what would have been their pro-rata entitlements under the terms of an open offer (as a result of full subscription or over subscription under the open offer), HKSCC will require Short Clearing Participants to have in their Entitlement Account on or before the date of distribution of new shares under an open offer, the relevant number of new shares

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representing the pro-rata entitlement in respect of their outstanding short CNS stock positions under the terms of such open offer;

- (iii) HKSCC will normally require Collateral in the form of cash from Short Clearing Participants;
- (iv) based on the number of new shares required to satisfy the pro-rata entitlement of Long Clearing Participants, HKSCC will debit the relevant number of new shares from the Entitlement Accounts of the Short Clearing Participants and a Short Clearing Participant having an insufficient number of new shares in its Entitlement Account will normally be required by HKSCC to purchase such new shares for delivery to HKSCC and such purchase will have to be effected on the Business Day following the date of distribution of new shares under the open offer. In the event that such Short Clearing Participant fails to purchase the relevant new shares as required by HKSCC, HKSCC may itself purchase such new shares for the account of that Short Clearing Participant;
- (v) HKSCC will cause the relevant amounts, based on the subscription price of new shares under the terms of the open offer, to be credited to the Entitlements Accounts of the Short Clearing Participants upon receipt of new shares from them (HKSCC will have received the relevant subscription money from the Long Clearing Participants in advance); and
- (vi) Upon receipt from the Short Clearing Participants of all the new shares required to satisfy the pro-rata entitlements of the Long Clearing Participants, HKSCC will credit such new shares into the Entitlement Accounts of the Long Clearing Participants.

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

If Long Clearing Participants fail to receive new shares pursuant to their pro-rata entitlements under open offers in respect of their outstanding CNS long stock positions (as a result of late delivery under the CNS System), HKSCC shall be responsible, following the distribution date, to deliver such new shares to Long Clearing Participants (against receipt of the relevant subscription monies) or if that is not possible or reasonably practicable as determined by HKSCC, HKSCC shall provide money compensation to the Long Clearing Participants by reference to the value of such new shares as determined by HKSCC (but taking into account the subscription monies paid or payable by Long Clearing Participants), irrespective of whether or not HKSCC receives such new shares from Short Clearing Participants.

#### **10.9.10 Take-over offers**

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

- (i) Short Clearing Participants will normally be required by HKSCC to provide Collateral in the form of cash on the last acceptance day of the take-over offer;
- (ii) Long Clearing Participants who wish to accept a take-over offer will have to complete and submit election forms called "Take-over Offer Acceptance/Election Form - CNS Positions" (see CCASS Terminal User Guide for Participants for the form) to HKSCC or to apply to HKSCC by any other means as specified by HKSCC by 2:00 p.m. on the last Business Day before the last day of acceptance of a take-over offer or any other time as specified by HKSCC; and

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- (iii) since take-over offers may involve a number of variations on a case by case basis, HKSCC will require Short Clearing Participants to provide relevant monies or securities (or appropriate compensation) in such manner as HKSCC may in its absolute discretion consider fair and appropriate to provide compensation to Long Clearing Participants.

#### **10.9.11 Conversion of warrants**

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

- (i) on the due date of settlement of the last trading day of warrants about to expire, or the Business Day before the last day to participate in corporate actions affecting the warrants, as the case may be, Long Participants will be asked by HKSCC to elect whether or not to subscribe for securities under the warrants. A Long Participant wishing to subscribe for securities under warrants will be required to complete a "Warrant Conversion Election Form - CNS Positions" (see CCASS Terminal User Guide for Participants for the form) and provide HKSCC with a cashier's order for the relevant amount or to apply to HKSCC by any other means as specified by HKSCC by 2:00 p.m. on the Business Day before the last day of subscription of the warrants (or the Business Day before the last day to participate in corporate actions affecting the warrants, as the case may be) or any other time as specified by HKSCC;
- (ii) based on the instructions of the Long Clearing Participants, HKSCC will require Short Clearing Participants to have in their Entitlement Accounts on or before the date of distribution of securities under the warrants, the relevant number of such securities capable of being subscribed for in respect of their outstanding short CNS stock positions;
- (iii) HKSCC will normally require Collateral in the form of cash from Short Clearing Participants;
- (iv) based on the number of securities required by Long Clearing Participants, HKSCC will debit the relevant number of such securities from the Entitlement Accounts of the Short Clearing Participants and a Short Clearing Participant not having sufficient securities will normally be required by HKSCC to purchase such securities for delivery to HKSCC and such purchase will have to be effected on the Business Day following the date of distribution of such securities under the warrants. In the event that such Short Clearing Participant fails to purchase such securities as required by HKSCC, HKSCC may itself purchase such securities for the account of that Short Clearing Participant;
- (v) HKSCC will cause the relevant amounts, based on the subscription price of the securities under the warrants, to be credited to the Entitlements Accounts of the Short Clearing Participants upon receipt of securities from them (HKSCC will have received the relevant subscription money from the Long Clearing Participants in advance); and
- (vi) upon receipt from the Short Clearing Participants of all such securities required to satisfy the requirements of the Long Clearing Participants, HKSCC will credit such new securities into the Entitlement Accounts of the Long Clearing Participants.

If Long Clearing Participants fail to receive new shares they would have subscribed for under warrants in respect of their outstanding CNS long stock positions (as a result of late delivery under the CNS System), HKSCC shall be responsible, following the distribution date, to deliver such new shares to Long Clearing Participants (against receipt of the relevant



subscription monies) or if that is not possible or reasonably practicable as determined by HKSCC, HKSCC shall provide money compensation to the Long Clearing Participants by reference to the value of such new shares as determined by HKSCC (but taking into account the subscription monies paid or payable by Long Clearing Participants), irrespective of whether or not HKSCC receives such new shares from Short Clearing Participants.

#### **10.9.11A Automatic exercise / Redemption of listed Structured Products at expiry**

Structured Products listed on the Exchange which are in-the-money will be exercised automatically at expiry upon the lapse of the date of expiry specified in the relevant listing document (“normal expiry”) or upon the Structured Products being early terminated as a result of the occurrence of the relevant call event (“early expiry”). In relation to the cash payments to which Participants are entitled upon the automatic exercise of such Structured Products at expiry, the following procedures will usually apply:

- (i) on the Business Day following the second Settlement Day in the case of early expiry or the second Business Day following the expiry day in the case of normal expiry, HKSCC will debit the Entitlements Account (a sub-account of the Money Ledger) of each Short Clearing Participant to collect from it an amount representing the cash payment accruing to its outstanding short CNS stock positions in the Structured Products. For administrative convenience or if the expiry day does not fall on a Settlement Day or if considered appropriate by HKSCC, HKSCC may in its absolute discretion collect the cash payment from each Short Clearing Participant on some other date; and
- (ii) on the payment day or such other date as HKSCC shall consider fair and appropriate, HKSCC will credit the Entitlements Account of each Long Clearing Participant with an amount representing the cash payment accruing to its outstanding long CNS stock positions in the Structured Products.

HKSCC will be responsible, following the payment day, to pay the Long Clearing Participants the cash payments accruing to their outstanding CNS long stock positions in the Structured Products irrespective of whether or not HKSCC is able to collect such amounts from the Short Clearing Participants.

In relation to the redemption of Structured Products listed on the Exchange at expiry, the following procedures will usually apply:

- (i) in respect of redemption proceeds in the form of cash payment in an Eligible Currency:
  - (a) on the first Business Day immediately after the expiry day, HKSCC will debit the Entitlements Account (a sub-account of the Money Ledger) of each Short Clearing Participant to collect from it the cash payment accruing to its outstanding short CNS stock positions in the Structured Products; and
  - (b) on the payment day or such other date as HKSCC shall consider fair and appropriate, HKSCC will credit the Entitlements Account of each Long Clearing Participant with the cash payment accruing to its outstanding long CNS stock positions in the Structured Products.

HKSCC will be responsible, following the payment day, to pay the Long Clearing Participants the cash payments accruing to their outstanding CNS long stock positions in the Structured Products irrespective of whether or not HKSCC is able to collect such cash payments from the Short Clearing Participants.

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- (ii) in respect of redemption proceeds in the form of underlying securities (being Eligible Securities):
    - (a) on the second Business Day immediately after the expiry day, Short Clearing Participants will normally be required by HKSCC to provide Collateral in the form of cash;
    - (b) on or before the distribution day, Short Clearing Participants are required to have in their Entitlement Accounts (their Stock Segregated Account 02) the relevant quantities of underlying securities accruing to their outstanding short CNS stock positions in the Structured Products;
    - (c) in the event that a Short Clearing Participant fails to have the relevant quantities of underlying securities in its Entitlement Account at the close of business on the distribution day, HKSCC will normally require such Short Clearing Participant to purchase such quantities of underlying securities for delivery to HKSCC and the purchase will have to be effected on the Business Day following the distribution day;
    - (d) in the event that a Short Clearing Participant fails to purchase the relevant quantities of underlying securities as required by HKSCC, HKSCC may itself purchase such quantities of underlying securities for the account of that Short Clearing Participant; and
    - (e) upon receipt or purchase of the relevant quantities of underlying securities from or for the account of the Short Clearing Participants, HKSCC will credit such quantities of underlying securities to the Entitlement Accounts of the Long Clearing Participants on the distribution day or such other date as HKSCC shall consider fair and appropriate.

HKSCC will be responsible, following the distribution day, to deliver to the Long Clearing Participants the relevant quantities of underlying securities accruing to their outstanding CNS long stock positions (or if that is not possible or reasonably practicable as determined by HKSCC, HKSCC shall provide money compensation to the Long Clearing Participants by reference to the value of such quantities of underlying securities as determined by HKSCC), irrespective of whether or not HKSCC receives such quantities of underlying securities from the Short Clearing Participants.

#### **10.9.11B Repealed**

#### **10.9.11C Repealed**

#### **10.9.12 Interest Payments**

In the case of interest payments, the following procedures will usually apply:

- (i) on the Business Day following the last Settlement Day preceding the relevant book-close day or the relevant CCASS Record Date (the date by reference to which the entitlements to interest payments are determined), HKSCC will debit the Entitlements Account of the Short Clearing Participants to collect from them amounts in respect of interest payments accruing to their outstanding short CNS positions; and
- (ii) on the interest payment date or on the dates the relevant outstanding long CNS stock positions are settled or on such other dates as HKSCC shall consider fair and

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appropriate, HKSCC will credit the Entitlements Accounts of the Long Clearing Participants with amounts in respect of interest payments accruing to their outstanding long CNS stock positions.

HKSCC will be responsible, following the distribution date, to pay Long Clearing Participants the interest payment entitlements accruing to their outstanding long CNS stock positions irrespective of whether or not HKSCC receives such entitlements from Short Clearing Participants.

#### **10.9.13 Redemption of Debt Securities**

In relation to redemption of eligible Debt Securities called by the issuer effected at or before its maturity, and either in part or full, the following procedures will usually apply:

- (i) Short Clearing Participants will normally be required by HKSCC to provide Collateral in the form of cash on the Business Day following the last Settlement Day preceding the relevant book-close day or the relevant CCASS Record Date (the date by reference to which the entitlements to take part in such redemption are determined); and
- (ii) on the distribution date or the dates their outstanding CNS long stock positions are settled or such other dates as HKSCC shall consider fair and appropriate, HKSCC will cause the relevant principal amounts and accrued interest where applicable to be credited to the Entitlements Accounts to the Long Clearing Participants.

In the case of redemption applying to specific certificate numbers, the Participants with outstanding CNS stock positions will be excluded from the random computerised balloting for determining from which Participants' Stock Accounts, and in what quantities, the relevant Debt Securities are to be redeemed.

#### **10.9.14 Conversion of Debt Securities**

In relation to conversion of eligible Debt Securities close to expiry, the following procedures will usually apply :

- (i) on the due date of settlement of the Business Day before the last day of the conversion period, Long Clearing Participants who wish to subscribe/convert for securities accruing to their due Debt Securities positions through CCASS will be required to complete a "Debt Securities Conversion Request Form – CNS Positions" (see CCASS Terminal User Guide for Participants for the form) and provide HKSCC with a cashier order for the relevant amount or to apply to HKSCC by any other means as specified by HKSCC by 2:00 p.m. on the Business Day before the last day of subscription/conversion of the Debt Securities or such other means or time as may be specified by HKSCC;
- (ii) based on the instructions of the Long Clearing Participants, HKSCC will require Short Clearing Participants to have in their Entitlement Accounts on or before the date of distribution of securities under the Debt Securities conversion, the relevant number of such securities capable of being subscribed for in respect of their outstanding short CNS stock positions;
- (iii) HKSCC will normally require Collateral in the form of cash from Short Clearing Participants;
- (iv) based on the number of securities required by Long Clearing Participants, HKSCC will debit the relevant number of such securities from the Entitlement Accounts of the Short Clearing Participants and a Short Clearing Participant not having sufficient securities will normally be required by HKSCC to purchase such securities for

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delivery to HKSCC and such purchase will have to be effected on the Business Day following the date of distribution of such securities under the Debt Securities conversion. In the event that such Short Clearing Participant fails to purchase such securities as required by HKSCC, HKSCC may itself purchase such securities for the account of that Short Clearing Participant;

- (v) HKSCC will cause the relevant amounts, based on the subscription price of the securities under the Debt Securities conversion, to be credited to the Entitlements Accounts of the Short Clearing Participants upon receipt of securities from them (HKSCC will have received the relevant subscription money from the Long Clearing Participants in advance); and
- (vi) upon receipt from the Short Clearing Participants of all such securities required to satisfy the requirements of the Long Clearing Participants, HKSCC will credit such securities received into the Entitlement Accounts of the Long Clearing Participants.

If Long Clearing Participants fail to receive the securities they would have subscribed for under Debt Securities conversion in respect of their outstanding long CNS stock positions (as a result of late delivery under the CNS System), HKSCC shall be responsible, following the distribution date, to deliver such securities to the Long Clearing Participants (against receipt of the relevant subscription monies) or if that is not possible or reasonably practicable as determined by HKSCC, HKSCC shall provide money compensation to the Long Clearing Participants by reference to the value of such securities as determined by HKSCC (but taking into account the subscription monies paid or payable by Long Clearing Participants), irrespective of whether or not HKSCC receives such securities from Short Clearing Participants.

#### **10.9.15 Daily accrued interest of interest bearing Debt Securities**

In cases where the Short Participant cannot deliver the eligible Debt Securities on the due settlement day of the Exchange Trade in such eligible Debt Securities, daily accrued interest amount of that Exchange Trade concerned will remain unchanged even if the eligible Debt Securities involved are settled in a later day.

#### **10.9.16 Sub-divisions, consolidations etc.**

The procedures for handling outstanding stock positions in the event of sub-divisions, consolidations and stock conversions affecting Eligible Securities are set out in Section 8.14.

#### **10.9.17 Fractional securities**

Fractional securities entitlements as a result of adjustments for late deliveries under the CNS System will be dealt with in the same manner as set out in Section 8.21.

### **10.10 RISK MANAGEMENT : MARKS**

#### **10.10.1 General**

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

To monitor and control such risk exposure, HKSCC will Mark-to-market the CNS stock positions of Participants and collect Marks from Participants. In respect of the CNS stock positions in any Eligible Security, HKSCC will compute Marks in accordance with the

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provisions of this Section 10.10 in the Eligible Currency in which that Eligible Security is traded.

HKSCC will collect Marks from the Participant in Hong Kong dollar unless the Participant has maintained a Preferred Single Settlement Currency in another currency or unless the Marks are to be collected from a Clearing Agency Participant.

Where the Eligible Currency in which an Eligible Security is traded is not Hong Kong dollar, HKSCC will convert Marks in the Eligible Currency to Hong Kong dollar at such exchange rate and subject to such haircut as determined by HKSCC from time to time. Where the Participant has maintained a Preferred Single Settlement Currency which is not Hong Kong dollar, HKSCC will further convert Marks from Hong Kong dollar to the Preferred Single Settlement Currency at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time, and collect Marks from the Participant in the Preferred Single Settlement Currency. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Marks in any Eligible Currency.

Where the Participant is a Clearing Agency Participant which is a China Connect Clearing House, Marks will be computed and collected from or redelivered to such Participant separately in respect of each of its designated Special Participants with reference to the CNS stock positions arising from Exchange Trades executed by such Special Participant, and references to the CNS stock positions of a Participant in this Section 10.10 shall be construed accordingly for such Clearing Agency Participant. HKSCC will convert the Marks to Renminbi at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time and collect the Marks from the Clearing Agency Participant in Renminbi. Unless HKSCC otherwise agrees, the Clearing Agency Participant shall pay Marks to HKSCC in Renminbi. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Marks in any Eligible Currency.

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

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

Marks will normally be collected in the form of cash. HKSCC may in exceptional cases collect Marks in the form of Collateral Securities acceptable to it.

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

The provisions of this Section 10.10 shall also be applicable, in so far as they are relevant to risk management measures detailed in Section 12.2.9(i), in respect of Clearing Agency Transactions.

#### **10.10.2 Various terms explained**

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

A "day-end Marks position", in relation to the calculation and collection of day-end Marks,

comprises the following stock positions of a Participant:

- (i) “pending CNS stock positions”, which are the unsettled CNS stock positions of the Participant which are not yet due for settlement.

Under a T+2 settlement system, pending CNS stock positions of a Participant on a Business Day will be derived from Exchange Trades which were effected by the Participant and, in the case of a GCP or a Clearing Agency Participant, will include Exchange Trades effected and, where applicable, designated to it for clearing by each NCP or Special Participant with which such GCP or Clearing Agency Participant has entered into a Clearing Agreement, on that Business Day (“Current Day”) and the immediately preceding Business Day (“Previous Day”) and which had been accepted by HKSCC for settlement under the CNS System. Such pending CNS stock positions on the Current Day and Previous Day shall be referred to in this Section 10.10.2 as “Current Day positions” and “Previous Day positions” respectively. Unless otherwise stated, “pending CNS stock positions” in this Section 10.10.2 cover both Current Day positions and Previous Day positions;

- (ii) “overdue CNS stock positions”, which are the CNS stock positions of the Participant which are due for settlement but not yet settled; and
- (iii) “corporate action entitlement positions”, which are the stock positions to which the Participant is entitled under CCASS, as determined by HKSCC based on the holding of that Participant in the relevant Eligible Securities as at the date by reference to which the entitlement is determined.

An "intra-day Marks position", in relation to the calculation and collection of intra-day Marks, may comprise any of the following stock positions of a Participant which are not covered by cash prepayment or credit from settlement activities:

- (i) pending CNS stock positions, as referred to in this Section 10.10.2;
- (ii) overdue CNS stock positions, as referred to in this Section 10.10.2;
- (iii) corporate action entitlement positions, as referred to in this Section 10.10.2; and
- (iv) Allocated Positions.

### **10.10.3 Computation of Marks**

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

- (i) the money position of that CNS stock position (see Section 10.5.2); and
- (ii) the prevailing market value of such CNS stock position (as determined by HKSCC).

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

Favourable Marks or Unfavourable Marks in an Eligible Currency will then be offset against the Unfavourable Marks or Favourable Marks, as the case may be, in other Eligible Currencies in the sequence as HKSCC considers appropriate to arrive at the Net Favourable Marks or Net Unfavourable Marks on the CNS stock positions. For the purpose of performing such cross-currency offset, Favourable Marks and Unfavourable Marks in

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Eligible Currencies other than Hong Kong dollar will be converted to Hong Kong dollar equivalent at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time for computation.

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

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

#### **10.10.3A Marks on day-end Marks position**

In relation to the calculation and collection of day-end Marks on day-end Marks positions, Favourable Marks and Unfavourable Marks on such positions in the same Eligible Currency will be offset against each other to arrive at the Net Favourable Marks or Net Unfavourable Marks in that Eligible Currency.

Net Favourable Marks or Net Unfavourable Marks in an Eligible Currency will then be offset against the Net Unfavourable Marks or Net Favourable Marks, as the case may be, on day-end Marks positions in other Eligible Currencies in the sequence as HKSCC considers appropriate to arrive at the Net Favourable Marks or Net Unfavourable Marks on such day-end Marks positions. For the purpose of performing such cross-currency offset, Favourable Marks and Unfavourable Marks in Eligible Currencies other than Hong Kong dollar will be converted to Hong Kong dollar equivalent at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time for computation. After cross-currency offset, any resulting Net Unfavourable Marks will be collected by HKSCC as day-end Marks from the Participant at day end. The Net Favourable Marks on day-end Marks positions will be used to offset the day-end Margin, if any, of the Participant.

Net Favourable Marks on day-end Marks positions resulting from the computation of day-end Marks, if any, will not be paid to the Participant by HKSCC.

#### **10.10.3B Marks on intra-day Marks positions**

In relation to the calculation and collection of intra-day Marks on intra-day Marks positions, Favourable Marks and Unfavourable Marks on such positions in the same Eligible Currency will be offset against each other to arrive at the Net Favourable Marks or Net Unfavourable Marks in that Eligible Currency.

Net Favourable Marks or Net Unfavourable Marks in an Eligible Currency will then be offset against the Net Unfavourable Marks or Net Favourable Marks, as the case may be, on intra-day Marks positions in other Eligible Currencies in the sequence as HKSCC considers appropriate to arrive at the Net Favourable Marks or Net Unfavourable Marks on such intra-day Marks positions. For the purpose of performing such cross-currency offset, Favourable Marks and Unfavourable Marks in Eligible Currencies other than Hong Kong dollar will be converted to Hong Kong dollar equivalent at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time for computation. After cross-currency offset, any resulting Net Unfavourable Marks will be collected by HKSCC as intra-day Marks from the Participant by the time prescribed by HKSCC.

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Net Favourable Marks on intra-day Marks positions resulting from the computation of intra-day Marks, if any, will not be paid to the Participant by HKSCC.

**10.10.4 [Repealed]**

**10.10.5 [Repealed]**

**10.10.6 [Repealed]**

**10.10.7 [Repealed]**

**10.10.8A [Repealed]**

**10.10.8B [Repealed]**

**10.10.9 [Repealed]**

**10.10.10 Interest on Marks collected**

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

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

**10.10.11 Collection of Marks**

(i) Clearing Participants

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

(ii) Clearing Agency Participants

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

Unless otherwise agreed by HKSCC, any shortfall in day-end Marks required from a Clearing Agency Participant in respect of a designated Special Participant, as determined by HKSCC, will be debited to the Miscellaneous Account allocated to the



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

If there is any shortfall in Marks after the collateralization, HKSCC will collect the shortfall in Hong Kong dollar unless the Clearing Participant has maintained a Preferred Single Settlement Currency which is not Hong Kong dollar. Where the Clearing Participant has maintained a Preferred Single Settlement Currency which is not Hong Kong dollar, HKSCC will convert the shortfall to the Preferred Single Settlement Currency at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time, and HKSCC will collect the shortfall in Marks in the Preferred Single Settlement Currency. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Marks in any Eligible Currency.

Unless otherwise agreed by HKSCC, any shortfall in Marks required, as determined by HKSCC, will be debited to the Marks and Margin Account of a Clearing Participant and will be collected from the Clearing Participant on a daily basis by HKSCC via CPIs or by issuing DDIs to the Designated Bank of the Clearing Participant as part of the CCASS money settlement process, or in any other manner determined by HKSCC from time to time. Subject to the determination of HKSCC, any surplus cash collateral over Marks and Margin in the CCMS House Collateral Account will not be automatically redelivered at the end of the day and HKSCC reserves the right to redeliver surplus cash collateral at any time it considers appropriate. HKSCC may redeliver such surplus to the Clearing Participant upon redelivery instruction from the Clearing Participant given to HKSCC in such form prescribed by HKSCC, and the redelivery will be made in such manner and at such time as prescribed by HKSCC from time to time.

## **10.10A RISK MANAGEMENT: MARGIN**

### **10.10A.1 General**

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

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

- (i) Clearing Participants

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HKSCC will collect Margin from the Clearing Participant in Hong Kong dollar unless the Clearing Participant has maintained a Preferred Single Settlement Currency which is not Hong Kong dollar.

(ii) Clearing Agency Participants

Where the Participant is a Clearing Agency Participant which is a China Connect Clearing House, Margin will be computed and collected from or redelivered to such Participant separately in respect of each of its designated Special Participants with reference to the CNS stock positions arising from Exchange Trades executed by such Special Participant, and references to the CNS stock positions of a Participant in this Section 10.10A shall be construed accordingly for such Clearing Agency Participant. HKSCC will convert the Margin to Renminbi at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time and collect the Margin from the Clearing Agency Participant in Renminbi. Unless HKSCC otherwise agrees, the Clearing Agency Participant shall pay Margin to HKSCC in Renminbi. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Margin in any Eligible Currency.

Where the Clearing Participant has maintained a Preferred Single Settlement Currency which is not Hong Kong dollar, HKSCC will convert Margin calculated in Hong Kong dollar to the Preferred Single Settlement Currency at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time, and collect Margin from the Clearing Participant in the Preferred Single Settlement Currency. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Margin in any Eligible Currency.

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

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

Margin will normally be collected in the form of cash. HKSCC may in exceptional cases collect Margin in the form of Collateral Securities acceptable to it.

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

The provisions of this Section 10.10A shall also be applicable, in so far as they are relevant to risk management measures detailed in Section 12.2.9(i), in respect of Clearing Agency Transactions.

#### **10.10A.2 Computation of Margin**

(i) Margin requirement

The Margin requirement on CNS stock positions of a Participant will be computed in accordance with the methodology referred to in the Initial Margin Calculation Guide.

The amount of Margin requirement on CNS stock positions in an Eligible Security is computed in Hong Kong dollar. Where the Clearing Participant has maintained a Preferred

Single Settlement Currency which is not Hong Kong dollar, HKSCC will convert Margin calculated in Hong Kong dollar to the Preferred Single Settlement Currency at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time, and collect Margin from the Clearing Participant in the Preferred Single Settlement Currency. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Margin in any Eligible Currency.

For the avoidance of doubt, HKSCC has the right to compute Margin requirement using other methods and assumptions as HKSCC may from time to time consider appropriate.

(ii) Marginable Position

Marginable Position refers to the CNS stock positions included in the computation of Margin using a hybrid approach or such other methodology as may from time to time be determined by HKSCC and referred to in the Initial Margin Calculation Guide. Marginable Positions can be broadly divided into three categories, which are summarised as follows:

- (i) primary tier (Tier P) positions: subject to portfolio margining and minimum margin levels prescribed by HKSCC from time to time;
- (ii) non-constituent Tier (Tier N) positions: subject to a flat Margin Rate and margin multipliers prescribed by HKSCC from time to time; and
- (iii) corporate action entitlement positions: subject to a flat Margin Rate prescribed by HKSCC from time to time.

In respect of the methodology of categorisation, please refer to the Initial Margin Calculation Guide.

Multi-counter Eligible Securities of the same class of an Issuer are treated as different positions and will not be netted against each other for the determination of the Mark-to-market value of the CNS stock positions as mentioned above.

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

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

(iii) Margin Rate

The flat Margin Rates for Tier N positions and corporate action entitlement positions will be determined by HKSCC in its absolute discretion from time to time.

(iv) Margin Multiplier

The Margin Multiplier will be defined and applied to Tier N positions at individual Participant

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

(v) Favourable Marks Offset

The Margin amount calculated on Marginable Position in Hong Kong dollar will be offset by the Net Favourable Marks on day-end Marks positions.

(vi) Margin Credit

The Margin Credit is the credit limit allowed to each Clearing Participant and the credit limit will be determined by HKSCC in its absolute discretion from time to time. HKSCC has the right to determine the credit limit on an individual Clearing Participant basis. In general, Margin Credit will be valued in Hong Kong dollar.

In the case where a Clearing Participant has Marginable Position in more than one Eligible Currency, Margin will be converted to and calculated in Hong Kong dollar and Margin Credit in Hong Kong dollar will be applied to such Margin.

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

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

(vii) HKSCC's rights

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

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

### **10.10A.3[Repealed]**

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

For examples of computation of day-end Margin, please refer to the Initial Margin Calculation Guide.

### **10.10A.5 Intra-day Margin**

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

- (i) if, in the opinion of HKSCC, sudden fluctuations of the securities market operated by the Exchange are apparent;

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- (ii) where some of the markets, which in the opinion of HKSCC are major markets, remain open when the securities market operated by the Exchange is closed for more than one calendar day, excluding Saturday and Sunday, due to public holidays; or
  - (iii) where HKSCC considers it appropriate under any other circumstances.

For examples of computation of intra-day Margin, please refer to the Initial Margin Calculation Guide. If a Participant is unable to meet its intra-day Margin payment by the prescribed deadline for any reason, the Participant will be subject to such action which HKSCC may take under the Rules.

#### **10.10A.5A Margin Add-Ons**

HKSCC may apply Margin add-ons to Clearing Participants to monitor and control the risk exposure of HKSCC. The application of such Margin add-ons by HKSCC will be at the discretion of HKSCC and subject to such conditions and limits as HKSCC may from time to time specify.

For Margin add-ons application and computation, please refer to the Initial Margin Calculation Guide.

#### **10.10A.6 [Repealed]**

#### **10.10A.7 Interest on Margin collected**

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

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

#### **10.10A.8 Collection of Margin**

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

- (i) Clearing Participants

If there is any shortfall in Margin after the collateralization process, HKSCC will collect the shortfall in Hong Kong dollar unless the Clearing Participant has maintained a Preferred Single Settlement Currency which is not Hong Kong dollar. Where the Clearing Participant has maintained a Preferred Single Settlement Currency which is not Hong Kong dollar, HKSCC will convert the shortfall in Hong Kong dollar to the Preferred Single Settlement Currency at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time, and HKSCC will collect the shortfall in Margin in the Preferred Single

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Settlement Currency. Notwithstanding the foregoing, HKSCC reserves the right to collect the shortfall in Margin required in any Eligible Currency.

(ii) Clearing Agency Participants

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

Unless otherwise agreed by HKSCC, any shortfall in Margin required, as determined by HKSCC, will be debited to the Marks and Margin Account of a Clearing Participant and will be collected from the Clearing Participant. Day-end Margin will be collected from the Clearing Participant on a daily basis by HKSCC by issuing DDIs to the Designated Bank of the Clearing Participant as part of the CCASS money settlement process, or in any other manner determined by HKSCC from time to time. Intra-day Margin demanded by HKSCC pursuant to Section 10.10A.5 will be collected by HKSCC via CPIs or by issuing DDIs to the Designated Bank of the Clearing Participant as part of the CCASS money settlement process, or in any other manner determined by HKSCC from time to time. Subject to the determination of HKSCC, any surplus cash collateral over Margin in the CCMS House Collateral Account will not be automatically redelivered at the end of the day and HKSCC reserves the right to redeliver surplus cash collateral at any time it considers appropriate. HKSCC may redeliver such surplus to the Clearing Participant upon redelivery instruction from the Clearing Participant given to HKSCC in such form prescribed by HKSCC, and the redelivery will be made in such manner and at such time as prescribed by HKSCC from time to time.

## **10.11 RISK MANAGEMENT: COLLATERAL**

### **10.11.1 Purpose of Collateral**

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

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

In appropriate cases, HKSCC will require a Participant to provide it with Collateral. HKSCC

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may collect Collateral based on HKSCC's assessment of its exposure on the risks arising out of Market Contracts and defects affecting the Eligible Securities of a Participant.

The provisions of this Section 10.11 shall also be applicable, in so far as they are relevant to the risk management measures detailed in Section 12.2.9(ii) in respect of Clearing Agency Transactions.

#### **10.11.2 Form of Collateral**

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

#### **10.11.3 Amount of Collateral**

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

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

HKSCC shall be entitled from time to time to require a Clearing Agency Participant which is a China Connect Clearing House to provide on demand Collateral in such form, to such extent and in such manner as is determined by HKSCC to cover any shortfall in respect of the CNS positions arising from Exchange Trades executed by each of its designated Special Participants in the event that its Marks, Margin and Collateral Securities held in HKSCC are insufficient to cover its stressed default loss determined by HKSCC from time to time in light of market conditions and such other factors as HKSCC may consider appropriate. Unless otherwise agreed by HKSCC, the required Collateral will be collected from the Clearing Agency Participant which is a China Connect Clearing House on the Business Day following T-day by issuing DDIs for same day settlement to the Designated Bank of the Clearing Agency Participant which is China Connect Clearing House as part of the CCASS money settlement process, or in any other manner determined by HKSCC from time to time.

#### **10.11.3A [Repealed]**

#### **10.11.3B [Repealed]**

#### **10.11.3C Guarantee Fund Risk Collateral**

HKSCC may require a Clearing Participant to provide from time to time on demand Guarantee Fund Risk Collateral if, when assessed by reference to the historical data from each of the realized stressed market conditions and/or hypothetical data for each of the unrealized stressed market conditions as HKSCC may determine:

- (i) the stressed default loss, determined by HKSCC from time to time in light of market conditions and such other factors as HKSCC may consider appropriate (less Margin and Collateral, each as may be specified by HKSCC from time to time in the Stress Test Value Calculation Guide and collected by HKSCC), arising from all the CNS stock positions of the Clearing Participant ("Guarantee Fund Expected Uncollateralised Loss") exceeds the Guarantee Fund Risk Predefined Limit; and
- (ii) the prevailing Guarantee Fund size is equal to the Guarantee Fund Threshold.

Clearing Participants may refer to the Stress Test Value Calculation Guide for examples of the calculation of stressed default loss.

The amount of Guarantee Fund Risk Collateral required from the Clearing Participant is:

$$\begin{array}{r} \text{Guarantee Fund Expected} \\ \text{Uncollateralised Loss} \end{array} - \begin{array}{r} \text{Guarantee Fund Risk} \\ \text{Predefined Limit} \end{array}$$

For the avoidance of doubt, if Guarantee Fund Risk Collateral is required under two or more stressed market conditions, the higher or highest (as the case may be) Guarantee Fund Risk Collateral amount shall be imposed.

Notwithstanding the above requirements of this Section, should HKSCC accept the Clearing Participant's request to waive the whole or part of the Guarantee Fund Risk Collateral requirement, the Clearing Participant must close out such positions as may reduce the Guarantee Fund Expected Uncollateralised Loss to an amount which is less than the sum of the Guarantee Fund Risk Predefined Limit and Guarantee Fund Risk Collateral maintained by HKSCC (if any) by the end of the same Business Day as the Guarantee Fund Risk Collateral requirement collection due date, failing which HKSCC may subsequently close out such positions on behalf of the Clearing Participant.

For the avoidance of doubt, any Guarantee Fund Risk Collateral provided by a Clearing Participant shall form part of such Clearing Participant's Collateral pursuant to Rule 3602 and shall not be regarded as resources of the Guarantee Fund.

#### **10.11.3D Example (Computation of Guarantee Fund Risk Collateral)**

Suppose: Guarantee Fund Threshold = HK\$320M  
Guarantee Fund Risk Predefined Limit = HK\$160M

		HK\$ million
Guarantee Fund size	=	320
Guarantee Fund Expected Uncollateralised Loss	=	180

The Guarantee Fund size is equal to the Guarantee Fund Threshold and the Guarantee Fund Expected Uncollateralised Loss exceeds the Guarantee Fund Risk Predefined Limit.

The amount of Guarantee Fund Risk Collateral required from the Clearing Participant  
= HK\$180 million – HK\$160 million  
= HK\$20 million.

#### **10.11.4 Notification by HKSCC**

Except for Collateral demanded from a Clearing Agency Participant which is a China Connect Clearing House the collection of which is described in Section 10.11.3, and except for Collateral calculated by reference to a Participant's apportioned liquid capital the collection of which will be by issuing DDIs to the Designated Bank of the Participant as part of the CCASS Hong Kong dollar money settlement process or in any other manner or Eligible Currency determined by HKSCC from time to time, HKSCC will notify a Participant in writing of the amount of any other Collateral required and the Participant will have to provide the Collateral within the time period specified.

#### **10.11.5 Return or Redelivery of Collateral**

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

#### **10.11.6 Interest on Collateral**

HKSCC may allow or charge, at its absolute discretion, to Participants interest on Collateral provided by Participants in cash calculated at a rate determined by HKSCC from time to time for each CCMS House Collateral Account allocated to Participants. HKSCC reserves



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the right to deduct any administrative costs from any interest to be allowed or to charge such administrative cost to the Collateral provided in cash.

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

Without prejudice to the above, to the extent required by the Tax Information Exchange Framework, HKSCC shall be entitled to deduct or withhold Withholding Tax (whether withheld by HKSCC or any other parties) from any payment of interest allowed on Collateral to a Participant (or from any other payment made by HKSCC to a Participant) and shall have no obligation to gross-up any such payment or to pay any additional amount as a result of such Withholding Tax.

## **10.12 RISK MANAGEMENT: SECURITIES-ON-HOLD**

### **10.12.1 Purpose of Securities-on-hold**

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

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

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

The provisions of this Section 10.12 shall, in the case of a Clearing Agency Participant which is a China Connect Clearing House, apply separately to the Stock Clearing Account and Money Ledger allocated to such Participant in respect of each designated Special Participant, and references to the Stock Clearing Account or Money Ledger of a Participant in this Section 10.12 shall be construed accordingly for such Clearing Agency Participant.

The provisions of this Section 10.12 shall also be applicable, in so far as they are relevant, to the risk management measures detailed in Section 12.2.9(iii) in respect of Clearing Agency Transactions.

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**10.12.2 Quantity of Eligible Securities allocated which can be used**

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

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

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

**10.12.3 [Repealed]****10.12.4 Participants may effect cash prepayment**

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

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

Any Cash Prepayment Standing Instruction remaining in the “pending status” ten calendar days after its last updated date will be automatically purged from CCASS.

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

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

In respect of the generation of Cash Prepayment Instruction by HKSCC under the Cash Prepayment Standing Instruction on a Settlement Day, HKSCC will reduce the cash prepayment amount by the relevant amount of Specific Cash Collateral that the Participant has provided to HKSCC to cover long CNS stock positions due for settlement on that Settlement Day.

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

### **10.12.5 Procedures**

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

- (a) Cash Prepayment Instructions with “CHATS” set as the payment method
  - (i) Participants that wish to make prepayments by means of CPIs shall select “CHATS” as the payment method when creating a Cash Prepayment Instruction via a CCASS Terminal from 8:00 a.m. to 2:00 p.m. or such other time specified by HKSCC from time to time or when creating a Cash Prepayment Standing Instruction via a CCASS Terminal from 8:00 a.m. to 7:00 p.m. or such other time specified by HKSCC from time to time;
  - (ii) To avoid undue concentration of HKSCC's exposure to a bank appointed by HKSCC as receiving bank for cash payment, cash prepayment is subject to the concentration limit predetermined by HKSCC in respect of an appointed receiving bank. HKSCC will only accept or generate Cash Prepayment Instructions within the predetermined concentration limit of the receiving bank. In case a Cash Prepayment Standing Instruction is created and authorized by a Participant, Cash Prepayment Instructions will be generated by HKSCC, if applicable, at approximately 8:00 a.m. starting from the following Settlement Day. The cash prepayment amount under the Cash Prepayment Instruction generated by HKSCC may be reduced in the manner as described in Section 10.12.4A;
  - (iii) Upon the creation and authorization of Cash Prepayment Instructions by Participants or the generation of Cash Prepayment Instructions by HKSCC pursuant to Cash Prepayment Standing Instructions, CPIs will be generated to collect the cash prepayments from their Designated Bank Accounts. The CPIs information will be included in the Electronic CHATS Payment Instruction Report (CSEPI03). Based on the report, Designated Banks will issue CPIs to the Clearing House of HKAB to make payment on their behalf. Participants must ensure that there are sufficient funds in their Designated Bank Accounts and that the CHATS payments are completed by their Designated Banks no later than 3:30 p.m. or such other time as may be prescribed by HKSCC from time to time;

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

HKSCC update Participants' Settlement Accounts of Money Ledger to reduce their corresponding monetary obligations due to HKSCC and as a result, release equivalent discounted market value of Securities-on-hold (see Section 10.12.6). Participants' Statements of Money Ledger will show the relevant entries. Participants can check the status of a Cash Prepayment Instruction via the CCASS enquiry function of "Enquire Cash Prepayment Instruction";

- (v) Participants can operate ATIs to check whether the Securities-on-hold have been released and rely on DIs or batch-settlement-runs to settle SI Transactions, ISI Transactions and Isolated Trades;
- (vi) Since HKSCC allocates shares according to a pre-set algorithm, Participants making prepayments may still not get all allocated shares. Any surplus funds thus arising will be returned to the Participants not later than day end. Please refer further to Section 14.4.2;
- (vii) Acceptance of the prepayment requests will be at HKSCC's full discretion. If Participants fail to follow the procedures, and/or for any other reason the requests are subsequently turned down by HKSCC, then the funds received will only be refunded the following Business Day without interest;
- (viii) In the event of default of payment (e.g., for any transfers subsequently reversed by the Clearing House of HKAB), HKSCC shall have recourse against the relevant Participant;
- (ix) In case cash remittance is made by a Participant to HKSCC as cash prepayment not pursuant to any Cash Prepayment Instruction, HKSCC reserves the right not to effect the updating of the Participant's Money Ledger on the same day. Such cash payment will be refunded without interest to the Participant by crediting the cash payment amount to its Money Ledger on the next Business Day; and
- (x) In case the relevant cash payment under a Cash Prepayment Instruction input or generated on a Business Day is not received by HKSCC, the Cash Prepayment Instruction will be purged from CCASS at the end of the Business Day.

#### **10.12.6 Example (Quantity of Eligible Securities which can be used)**

On a Settlement Day, Participant A was allocated 4,000 of Stock X (denominated in HKD) and 3,000 of Stock Y (denominated in HKD) and has HK\$80,000 due to HKSCC. Participant A has provided to HKSCC cash prepayment of HK\$30,000. The prevailing Mark-to-market price for Stock X is HK\$10 and for Stock Y is HK\$20.

Then :

- (i) Mark-to-market value of Eligible Securities allocated to Participant A
  - = HK\$10 X 4,000 (stock X) + HK\$20 X 3,000 (stock Y)
  - = HK\$100,000
- (ii) Discounted market value of such allocated Eligible Securities
  - = HK\$100,000 X (1 - 0.1)
  - = HK\$90,000
- (iii) Discounted market value of allocated Eligible Securities which could be withdrawn

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=	Discounted market value of allocated Eligible Securities	-	Amount due to HKSCC not covered by cash prepayment
=	HK\$90,000	-	(HK\$80,000 - HK\$30,000)
=	HK\$40,000		

Participant A will be allowed by HKSCC to use allocated Eligible Securities with a total discounted market value of not more than HK\$40,000.

Participant A can therefore use no more than either : -

- (i) 4,444 of Stock X (derived from  $\text{HK\$40,000} \div \text{HK\$10} \div (1-0.1)$ ); or
- (ii) 2,222 of Stock Y (derived from  $\text{HK\$40,000} \div \text{HK\$20} \div (1-0.1)$ ); or
- (iii) a combination of Stock X and Stock Y so long as their total discounted market value does not exceed HK\$40,000.

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

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

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

#### **10.12.8 Procedures**

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

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

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- (c) in case an Intra-day Payment Standing Instruction covering surplus cash arising from overpaid cash prepayment is accepted by HKSCC on a Business Day at or before 1:15 p.m., an Intra-day Payment Instruction will be issued starting from that day if applicable. Otherwise, the Intra-day Payment Instruction will only be issued from the next Settlement Day/Business Day;
  - (d) following the acceptance by HKSCC of an Intra-day Payment Standing Instruction to effect intra-day refund of surplus cash arising from overpaid cash prepayment to the Participant, HKSCC will normally determine the amount of surplus cash arising from overpaid cash prepayment to be included in the Intra-day Payment upon completion of the third Batch-settlement-run shortly after 2:00 p.m. on each Settlement Day, or such other time as specified by HKSCC from time to time;
  - (e) in determining the amount of surplus cash arising from cash prepayment to be refunded intra-day, HKSCC will consider:
    - (i) the total cash prepayments received, confirmed and updated to the Participant's Settlement Account of Money Ledger at or before 1:15 p.m. on the Settlement Day or such other time as specified by HKSCC from time to time;
    - (ii) the Margin amount updated to the Settlement Account of Participant's Money Ledger around 10:00 a.m. on the Settlement Day;
    - (iii) the amount of Specific Cash Collateral updated to the Settlement Account of Participant's Money Ledger on the Settlement Day upon the completion of the third Batch-settlement-run;
    - (iv) the CNS money obligations upon the completion of the third Batch-settlement-run and any immediate settlement before 2:00 p.m. by DIs; and
    - (v) other types of money obligations in the Participant's Settlement Account and Miscellaneous Account of Money Ledger as HKSCC may from time to time specify;
  - (f) if the total amount of Intra-day Payment of the Participant including the amount of surplus cash arising from overpaid cash prepayment determined by HKSCC under Section 10.12.8(e) is equal to or greater than the pre-set threshold defined by the Participant, an Intra-day Payment Instruction will be issued by HKSCC;
  - (g) HKSCC will issue Intra-day Payment Instructions to the Designated Banks of Participants on a Settlement Day or Business Day at around 2:30 p.m., or such other time as specified by HKSCC from time to time, to cause credits to be made to the Designated Bank Accounts of Participants;
  - (h) Participants that have input Intra-day Payment Standing Instructions may enquire the estimated amount of surplus cash arising from overpaid cash prepayment to be refunded before 2:30 p.m. on a Settlement Day via the "Enquire Intra-day Payment Summary" function in CCASS Terminal. Details of Intra-day Payment Instructions issued by HKSCC including the amount of the Intra-day Payment will be available for enquiry after 2:30 p.m. on a Settlement Day via the "Enquire Intra-day Payment Summary" function in CCASS Terminal;
  - (i) irrespective of whether an Intra-day Payment Standing Instruction is accepted by HKSCC under Section 10.12.8(c), whether to allow an intra-day refund to Participants

of any surplus cash arising from overpaid cash prepayment will be at the full discretion of HKSCC. If (a) a Participant fails to follow the specified procedures; (b) its Intra-day Payment Standing Instruction is subsequently turned down by HKSCC for any other reason; or (c) any surplus cash arising from overpaid cash prepayment is not refunded intra-day to the Participant for any reason, HKSCC shall have full discretion to make use of such surplus cash for any purpose it deems appropriate, including but not limited to applying it for the intra-day settlement of money obligations due to other Participants from HKSCC under the CNS System. Where HKSCC does not allow intra-day refund, any surplus cash arising from overpaid cash prepayment on a Settlement Day will only be returned to the Participant not later than day end via DCI.

### **10.13 RISK MANAGEMENT: EVIDENCE OF SECURITIES AVAILABLE FOR SETTLEMENT**

In relation to Exchange Trades 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 Participants must ensure that when they or in the case of GCPs, including their NCPs, place a selling order they have readily available evidence showing that, on or before the due date for settlement of the Market Contracts, they or in the case of GCPs, including their NCPs, have or will have the required quantity of Eligible Securities in their stock accounts in CCASS for settlement of the Market Contracts. The delivering Participants shall provide the evidence to HKSCC upon request.

If at any time HKSCC is not satisfied that a delivering Participant has or will have the Eligible Securities on the due date for settlement of the Market Contract, HKSCC may direct that Participant to arrange or may on behalf of that 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 a Participant in such amount as HKSCC considers appropriate.

The provisions of this Section 10.13 shall also be applicable, in so far as they are relevant to the risk management measures detailed in Section 12.2.9(iv) in respect of Clearing Agency Transactions.

### **10.14 RISK MANAGEMENT: CLOSING-OUT**

#### **10.14.1 Purpose of Closing-out**

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

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

The provisions of this Section 10.14 shall also be applicable, in so far as they are relevant to the risk management measures detailed in Section 12.2.9(v) in respect of Clearing Agency Transactions.

#### **10.14.2 Procedures**

In brief, Closing-out of an unsettled stock position of a Participant under the CNS System



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

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

#### 10.14.3 Example (Closing-out)

Participant A has defaulted in making payment to HKSCC and is declared a defaulter by HKSCC. At the time, Participant A has the following unsettled stock positions under the CNS System.

Stock	Quantity	Money position
Stock X	1,000 (long)	HK\$5,000DR
Stock Y	2,000 (short)	HK\$8,000CR
Stock Z	3,000 (long)	HK\$9,000DR

On behalf of Participant A, HKSCC instructs its authorized broker to enter into the following Closing-out transactions at the best prevailing market price.

Stock	Quantity	Money position	Money position after offsetting
Stock X	Sell 1,000	HK\$5,500 CR	HK\$500 CR
Stock Y	Buy 2,000	HK\$9,000 DR	HK\$1,000 DR
Stock Z	Sell 3,000	HK\$9,200 CR	HK\$200 CR
			HK\$300 DR

Assuming HK\$500 was spent as the costs and expenses of effecting the Closing-out transactions, Participant A would be obliged to pay  $HK\$500 + HK\$300 = HK\$800$  to HKSCC.

#### 10.14.4 Default by Participants

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

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

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

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

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

## **10.15 RISK MANAGEMENT: CASH AND COLLATERAL SECURITIES**

### **10.15.1 Cash**

Cash in Hong Kong dollar and other currencies recorded as credit entries in any CCMS Collateral Account of the Participant are amounts paid by the Participant to HKSCC. 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.

#### **Security**

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 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.

Such Collateral Securities and the Derived Assets 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 provisions of this Section 10.15 shall also be applicable, in so far as they are relevant, to the risk management measures in respect of Clearing Agency Transactions.

### **10.15.2 Valuation of Collateral Securities, etc.**

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

Collateral Securities-

Quantity of a security x valuation price x (1 - haircut rate of the security) x exchange rate x (1 - haircut rate of the relevant currency)

Cash in an Eligible Currency other than Hong Kong dollar-

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Cash amount in original currency x exchange rate x (1- haircut rate of the relevant currency)

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

### **10.15.3 Collateralization process**

The purpose of the collateralization process is to determine the aggregate amount or value of cash recorded in, and of Collateral Securities credited to, the CCMS House Collateral Account of a Clearing Participant acceptable to HKSCC from time to time for the purpose of discharging the Clearing Participant's Marks, Margin and/or Collateral obligations, and other obligations (actual or contingent).

Unless HKSCC otherwise determines, HKSCC may accept Non-cash Collaterals to secure Marks, Margin, Collateral and other obligations of a Clearing Participant up to the amount calculated by the Non-cash Collateral Cap.

The Marks, Margin, Collateral and other obligations of a Clearing Participant on a Business Day will be collateralized against the General Collateral Inventory in the CCMS House Collateral Account of the Clearing Participant in the following order, or in such order as HKSCC considers appropriate:

- (i) Non-cash Collateral up to the amount calculated by the Non-cash Collateral Cap;
- (ii) cash in the currency in which the Marks, Margin, Collateral and other obligations (actual or contingent) is calculated and denominated; and
- (iii) cash in other currencies.

The following is a brief description of the collateralization process:

- (a) The Marks, Margin, Collateral and other obligations of the Clearing Participant will first be collateralized against the value (or Discounted Market Value, if applicable) of the Non-cash Collateral, namely the Discounted Market Value of Collateral Securities, up to the amount calculated by the Non-cash Collateral Cap. Such collateralized value of the Non-cash Collateral, up to but not exceeding the amount calculated by the Non-cash Collateral Cap, will be shown as the non-cash Ear-marked Value in the CCMS House Collateral Account of the Clearing Participant;
- (b) Any amount of the Marks, Margin, Collateral and other obligations of the Clearing Participant in excess of such non-cash Ear-marked Value will be collateralized against cash in the same currency in which the Marks, Margin, Collateral and other obligations is calculated and denominated. Unless otherwise specified by HKSCC and subject to Sections 10.10, 10.10A and 10.11, such collateralized amount of cash shall be paid out of the General Collateral Inventory in the CCMS House Collateral Account, and will be re-categorised and treated as Contract Currency Collateral;
- (c) Any remaining amount of Marks, Margin, Collateral and other obligations will then be collateralized against the Discounted Market Value of cash in other currencies. For this purpose, if the remaining amount of Marks, Margin, Collateral and other obligation is denominated in currencies other than Hong Kong dollar, it will be converted to Hong Kong dollar equivalent at such exchange rate and subject to such

haircut rate as determined by HKSCC from time to time. The collateralized amount will be shown as cash Ear-marked Value in the CCMS House Collateral Account; and

Subject to the above and Sections 10.10, 10.10A and 10.11, any amount of Marks, Margin, Collateral and other obligations of the Clearing Participant remaining after the above collateralization process shall be paid by the Clearing Participant in cash in the currency in which the Marks, Margin, Collateral and other obligations are calculated save where otherwise specified by HKSCC.

#### **10.15.4 Example (Marks and Margin covered by Non-cash Collateral)**

On a given trade day, the Marks and Margin obligations of Participant A are HK\$10,000,000 and HK\$6,000,000 respectively. Prevailing Non-cash Collateral Cap is 40%.

Suppose at the time of collateralization, the total Discounted Market Value of the Collateral Securities in the General Collateral Inventory of the CCMS House Collateral Account of Participant A is HK\$8,000,000.

Maximum Marks and Margin amount that can be covered by Collateral Securities

$$\begin{aligned} &= \text{Marks and Margin obligation} \times \text{Non-cash Collateral Cap} \\ &= (\text{HK\$10,000,000} + \text{HK\$6,000,000}) \times 40\% \\ &= \text{HK\$6,400,000} \end{aligned}$$

Note: The actual Marks and Margin amount that will be covered by Collateral Securities is also HK\$6,400,000 because the total Discounted Market Value of the Collateral Securities available at the time of collateralization is more than this figure. The Ear-marked Value of Participant A is HK\$6,400,000.

$$\begin{aligned} &\text{Marks and Margin requirement amount that must be paid in cash} \\ &= (\text{HK\$10,000,000} + \text{HK\$6,000,000}) - \text{HK\$6,400,000} \\ &= \text{HK\$9,600,000} \end{aligned}$$

#### **10.15.5 Quantity of Collateral Securities which cannot be used**

Collateral Securities credited to the CCMS House Collateral Account of a Participant may not be transferred from such account without the express consent of HKSCC, given in a manner as determined by HKSCC in its absolute discretion. Participants will not be allowed to use or withdraw Collateral Securities from the CCMS House Collateral Account except with the express consent of HKSCC, given in a manner as determined by HKSCC in its absolute discretion.

If the Participant wishes to make use of and/or withdraw from the CCMS House Collateral Account any Collateral Securities, as long as the total value (or Discounted Market Value, if applicable) of the General Collateral Inventory is greater than the Ear-marked Value of the Participant, the Participant may be allowed by HKSCC in its sole discretion to make use of and/or withdraw the Collateral Securities with value greater than the Ear-marked Value.

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, 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

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

#### **10.15.6 Application of moneys**

Without prejudice to HKSCC's rights in Rule 3702, upon any failure by a Participant to perform its obligations to HKSCC under the CNS System or when HKSCC otherwise deems it necessary for its own protection;

- (i) HKSCC may sell or apply the Charged Property of the Participant without further reference to the Participant and the provisions of Rule 3702 shall apply equally to such sale. Following such sale or application, the only obligation of HKSCC to such Participant in respect of its Charged Property shall be to pay such Participant an amount equal to the balance and/or to return to such Participant the balance of the Charged Property remaining after satisfaction of all obligations and liabilities (actual or contingent) of such Participant to HKSCC;
- (ii) Derived Assets credited to the Entitlement Account may not be transferred from such Account without the express consent of HKSCC and may be transferred to the Participant's CCMS Collateral Account by HKSCC; and
- (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.

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

### **10.16 RISK MANAGEMENT: CONTRACT TERMINATION**

#### **10.16.1 General**

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 any other rights under the Rules, invoke the contract termination process as provided for in Rule 3709 in consultation with the Commission.

For the purposes of this Section, (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.

If HKSCC invokes contract termination in accordance with Rule 3709, it shall determine the Identified Market Contracts under Rule 3709 and notify the 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. 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.

### 10.16.2 Calculation of termination value

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.

On the basis of the termination value established for each Identified Market Contract, HKSCC shall, with respect to the CNS positions of each relevant Clearing Participant or Clearing Agency Participant arising from its Identified Market Contracts, determine the resulting net sum payable by such Clearing Participant or Clearing Agency Participant to HKSCC (the "Termination Value Payable") or the resulting net sum receivable by such Clearing Participant or Clearing Agency Participant from HKSCC (the "Unadjusted Termination Value Receivable"). The Unadjusted Termination Value Receivable of a Clearing Participant is subject to adjustment in accordance with Section 10.16.3 below.

### 10.16.3 Payment of Termination Value Payable and Termination Value Receivable

#### (i) Termination Value Payable

HKSCC will notify each relevant Clearing Participant or Clearing Agency Participant of its Termination Value Payable and each such Clearing Participant or Clearing Agency Participant shall pay the specified Termination Value Payable to HKSCC in full within one Business Day or within such other time specified by HKSCC in the notice. If the relevant Clearing Participant or Clearing Agency Participant fails to pay the Termination Value Payable within the time specified in the notice, HKSCC may declare such Clearing Participant or Clearing Agency Participant as a defaulter.

In the event that HKSCC does not receive any part of the Termination Value Payable from a Clearing Participant or Clearing Agency Participant, HKSCC shall take reasonable steps to recover such amount. Such Clearing Participant or Clearing Agency Participant shall be responsible for any costs HKSCC reasonably incurs in attempting to recover such amounts and accordingly the Termination Value Payable actually received from such Clearing Participant or Clearing Agency Participant shall be deemed to be decreased by an amount equal to such costs, unless such costs are paid by such Clearing Participant or Clearing Agency Participant.

#### (ii) Termination Value Receivable

The amount payable by HKSCC to each relevant Clearing Participant or Clearing Agency Participant with respect to its CNS positions arising from Identified Market Contracts shall be known as the "Termination Value Receivable". The Termination Value Receivable of a Clearing Agency Participant shall be equal to its Unadjusted Termination Value Receivable determined in accordance with Section 10.16.2 above. In the case of a Clearing Participant, its Termination Value Receivable shall be calculated by multiplying its Unadjusted Termination Value Receivable by a percentage ("Termination Value Applicable Percentage") which is equal to the lesser of (a) and (b) below provided that if such percentage is a negative number, it should be set to zero:

(a) 100%; and

$$(b) \frac{\sum_{i=1}^n (\text{Termination Value Payable received by HKSCC}) + \sum_{i=1}^n (\text{available default resources}) - \sum_{i=1}^n (\text{Termination Value Receivable of Clearing Agency Participants})}{\sum_{i=1}^n (\text{Unadjusted Termination Value Receivable of Clearing Participants})}$$

where:

"Termination Value Payable received by HKSCC" means the amount of Termination Value Payable actually received from relevant Clearing Participants and Clearing Agency Participants by the time prescribed by HKSCC; and

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“available default resources” means the aggregate of the resources (if any) that may be available to HKSCC including those available to be applied under Rules 2507, 2507A and 3702(ii).

HKSCC will notify each relevant Clearing Participant or Clearing Agency Participant of its Termination Value Receivable upon determination.

(iii) Payment

Payment of any Termination Value Payable and Termination Value Receivable shall be settled by HKSCC issuing DDIs or DCIs, where applicable, to the Designated Bank of the relevant Clearing Participant or Clearing Agency Participant as part of the CCASS money settlement process, or in any other manner determined by HKSCC from time to time. The Termination Value Payable and Termination Value Receivable shall be settled in the Eligible Currency in which the relevant Eligible Securities are denominated. To the extent that HKSCC determines that it is not possible or reasonably practicable to make payment in such Eligible Currency, HKSCC’s obligations shall be to make payment, in full or in part, in such other currency or currencies and at such conversion rate(s) as HKSCC may in its absolute discretion determine to be fair and reasonable, taking into account all relevant circumstances as it may consider appropriate.

(iv) HKSCC’s liability

Upon termination of one or more Identified Market Contracts under Rule 3709, 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 and where applicable adjusted in accordance with Rule 3709 and this Section of the Operational Procedures.

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## Section 10A

### China Connect Securities Trades - CNS System

#### 10A.1 ACCEPTANCE FOR SETTLEMENT UNDER THE CNS SYSTEM

##### 10A.1.1 Details of China Connect Securities Trades

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

##### 10A.1.2 Confirmation of acceptance under the CNS System

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

##### 10A.1.3 "Guarantee" by HKSCC

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

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

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

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

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

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

#### 10A.2 NETTING

##### 10A.2.1 Determination of daily stock settlement positions



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

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

## **10A.3 SECURITIES SETTLEMENT**

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

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

### **10A.3.2 Settlement between HKSCC and the China Connect Clearing House**

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

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

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

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

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

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

A China Connect Clearing Participant which is a GCP and which has long stock positions in China Connect Securities may make an adjustment request to HKSCC using the prescribed form (see CCASS Terminal User Guide for Participants for the form) to allocate the relevant number of long stock positions from its Stock Clearing Account to the sellable balances of its relevant Stock Accounts, including those of its NCCCPs. Any adjustment made by HKSCC shall only have the effect of adjusting the sellable balances for pre-trade checking purpose and will only apply to the following Trading day. The actual holdings of the Stock Accounts of the GCP will not be adjusted.

#### **10A.3.5 Partial delivery**

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

### **10A.4 MONEY SETTLEMENT UNDER THE CNS SYSTEM**

#### **10A.4.1 DVP basis**

Settlement between China Connect Clearing Participants and HKSCC under the CNS System will normally be on a DVP basis and in Renminbi. To the extent that HKSCC determines that it is not possible or reasonably practicable to make payment in Renminbi, HKSCC's obligations shall be to make payment, in full or in part, in such other currency or currencies and at such conversion rate(s) as HKSCC may in its absolute discretion determine to be fair and reasonable, taking into account all relevant circumstances as it may consider appropriate. Except for the cases mentioned in Section 10A.4.4 and those China Connect Clearing Participants which have net payable items on China Connect Securities Trades on H-1 day as mentioned in Section 10A.4.5, money settlement will only be effected after settlement of stock positions in CCASS.

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

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

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

The net money positions derived from offsetting the money positions of the underlying China Connect Securities Trades of a China Connect Clearing Participant in each China Connect Security on the same day will be offset against each other to result in a total net money position for each China Connect Market in respect of the China Connect Clearing Participant. The total net money positions for all the China Connect Markets of the China Connect Clearing Participant will be offset against each other to result in one net money position across all relevant China Connect Markets for settlement with HKSCC on each Settlement Day.

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

If two opposite CNS stock positions of a China Connect Clearing Participant in the same China Connect Security are offset against each other as a result of cross-day netting, the money

positions of the two CNS stock positions will also be offset against each other to result in a sum to be settled between HKSCC and the China Connect Clearing Participant concerned. Any unsettled CNS stock position will also have a corresponding money position.

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

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

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

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

#### **10A.4.5 Settlement of money obligations under the CNS System**

There will be one net money position under the CNS System for each China Connect Clearing Participant for its China Connect Securities Trades executed on all of the China Connect Markets on a Trading day (i.e. T-day) (see Section 10A.4.2).

Money settlement in respect of a net money position will be effected as follows (see Section 10.5.7 for an example of daily net money position under the CNS System):

- (a) (if T-day is not an H-1 day) China Connect Clearing Participants which have net payable items on China Connect Securities Trades will be required to settle their payment obligations to HKSCC by 12:00 noon on T+1 or such other time as may be specified by HKSCC from time to time, via RTGS;
- (aa) (if T-day is an H-1 day) China Connect Clearing Participants which have net payable items on China Connect Securities Trades executed on T-day will be required to settle such payment obligations to HKSCC by 6:00 p.m. on T-day or such other time as may be specified by HKSCC from time to time, via RTGS. At approximately 4:45 p.m. on T-day, HKSCC will issue CPIs for the amount payable by each such China Connect Clearing Participant (based on the net unsettled CNS stock positions of all its China Connect Securities Trades executed on T-day) to the Designated Bank of the China Connect Clearing Participant so as to effect CHATS payment to the bank account of HKSCC for value on the same day. HKSCC will take into account the Cash Prepayment Standing Instruction given by the relevant China Connect Clearing Participant in CPI generation (see section 10A.14.5); and
- (b) For China Connect Clearing Participants which have net receivable items on China Connect Securities Trades, HKSCC will transfer settlement amounts into their Designated Bank Accounts at around 12:30 p.m. on T+1 or such other time as may be specified by HKSCC from time to time, via RTGS.

In the morning of T+1, HKSCC will issue CPIs for the amount (based on the balance of the

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

If a China Connect Clearing Participant fails to place HKSCC in good funds through its Designated Bank by 12:00 noon on T+1 or 6:00 p.m. on T-day if T-day is an H-1 day or such other time as may be specified by HKSCC from time to time, the China Connect Clearing Participant will be regarded as having defaulted and will be subject to such action or actions as HKSCC may take under the Rules.

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

#### **10A.4.6 Partial delivery**

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

#### **10A.5 LATE DELIVERY: DEFAULT FEE**

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

#### **10A.6 LATE DELIVERY: BUY-IN**

##### **10A.6.1 Purpose**

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

##### **10A.6.2 Timing of Buy-in**

Unless (i) HKSCC grants an exemption under Section 10A.6.2A or (ii) there is a risk management reason affecting HKSCC which is considered valid by the Risk Management Committee, HKSCC shall have the right, but shall not be obliged, to effect a Buy-in on behalf of the short China Connect Clearing Participant on T+1 (or if it is not practicable to do so on T+1, at any time thereafter) as HKSCC in its absolute discretion considers appropriate up to the outstanding quantity, rounded up to the nearest Board Lot if the quantity is not in full Board Lots, in respect of short stock positions in China Connect Securities of a China Connect Clearing Participant under the CNS System which are outstanding for settlement on the due date (i.e., unsettled after the fourth Batch-settlement-run for China Connect Securities Trades on T-day).

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

#### **10A.6.2A Exemption from Buy-in**

HKSCC may grant an exemption from a Buy-in on behalf of a short China Connect Clearing Participant on T+1 if such China Connect Clearing Participant is able to provide HKSCC with satisfactory evidence in accordance with Section 10A.6.2B that a ground for exemption as set out below applies:

- (i) the China Connect Clearing Participant applying for exemption can provide evidence satisfactory to HKSCC that either it has sufficient China Connect Securities in its Stock Account on T-day or the delivering Participant has sufficient China Connect Securities in its Special Segregated Account to cover the relevant short stock position and the China Connect Clearing Participant applying for exemption or the delivering Participant has received valid instruction from the selling client to make delivery of the relevant China Connect Securities for settlement on T-day but is unable to do so due to clerical error; or
- (ii) the relevant China Connect Securities are not credited to the Stock Clearing Account of the China Connect Clearing Participant applying for exemption due to acts of God or due to the occurrence of other events beyond the relevant Participant's reasonable control such as labour disputes, strike, mechanical breakdowns, computer or electronic system or network failures, unavailability of or restrictions on any communication media or any other event (including sanctions or the issuance of a court order or a restriction notice or order by a competent authority) as determined by HKSCC at its sole discretion to be an acceptable ground for exemption on a case-by-case basis.

The short China Connect Clearing Participant to whom an exemption from a Buy-in is granted shall be obliged to settle all overdue short stock positions for which exemption is granted by day-end of T+1. In the event that such China Connect Clearing Participant fails to do so for whatever reason, HKSCC may consider executing on behalf of such China Connect Clearing 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.

#### **10A.6.2B Application for exemption from Buy-in on T+1**

A short China Connect Clearing Participant wishing to claim exemption under Section 10A.6.2A must apply to HKSCC not later than 8:00 p.m. on the due date of settlement (i.e., T-day) by completing and submitting an Application Form for Exemption of Buy-in (see CCASS Terminal User Guide for Participants for the form). The Application Form shall be sent by facsimile or such other means as HKSCC may consider appropriate and shall be deemed received when received by HKSCC. In addition, the short China Connect Clearing Participant applying for exemption must provide HKSCC with satisfactory supporting documents as set out below on or before T+1, unless otherwise notified by HKSCC.

In respect of an exemption claimed under Section 10A.6.2A(i), the China Connect Clearing Participant applying for exemption is required to provide HKSCC with a copy of the relevant CCASS reports or other supporting documents satisfactory to HKSCC evidencing that the relevant China Connect Securities are available to cover the relevant short stock positions on T-day.

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In respect of an exemption claimed under Section 10A.6.2A(ii), the China Connect Clearing Participant applying for exemption shall, if so requested by HKSCC, provide HKSCC with evidence supporting its application at such time as specified by HKSCC.

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

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

- (i) in respect of the short stock positions in China Connect Securities of a short China Connect Clearing Participant which remain outstanding under the CNS System after the fourth Batch-settlement-run for China Connect Securities Trades on the Settlement Day, a Buy-in Notification Report containing such outstanding short stock positions will be generated by HKSCC. Unless (i) HKSCC grants an exemption under Section 10A.6.2A or (ii) there is a risk management reason affecting HKSCC which is considered valid by the Risk Management Committee, HKSCC shall have the right, but shall not be obliged, to effect Buy-in on T+1 (or if it is not practicable to do so on T+1, at any time thereafter) as HKSCC in its absolute discretion considers appropriate, of all outstanding short stock positions stated in the Buy-in Notification Report, rounded up to the nearest Board Lot if the quantity is not in full Board Lots;
- (ii) the Buy-in Notification Report will be available to the short China Connect Clearing Participant through its CCASS Terminals and Participant Gateways after the fourth Batch-settlement-run for China Connect Securities Trades;
- (iia) the short China Connect Clearing Participant may apply for exemption from Buy-in to HKSCC in accordance with the provisions of Section 10A.6.2B;
- (iii) HKSCC may instruct its authorized brokers to assist in effecting a Buy-in of the China Connect Securities on the relevant China Connect Market via the relevant Trading Link;
- (iv) HKSCC shall effect a Buy-in at what it determines to be the best prevailing market price and terms available (but taking into account HKSCC may need to act promptly and provided that HKSCC, the Exchange, the relevant SEHK Subsidiary and a recognized exchange controller which is the controller of HKSCC shall have no liability if HKSCC acts in good faith). The short China Connect Clearing Participant shall be liable to and shall indemnify HKSCC, the Exchange, the relevant SEHK Subsidiary and a recognized exchange controller which is the controller of HKSCC against all costs and expenses incurred by HKSCC in connection with the Buy-in, 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;
- (v) after effecting such a Buy-in, the relevant Buy-in details will be available to the short China Connect Clearing Participant via the CCASS online enquiry function and report; and
- (vi) upon receipt of confirmation of good funds in relation to the cost of the Buy-in, China Connect Securities received under the Buy-in will be delivered to the short China Connect Clearing Participant.

### **10A.7 LATE DELIVERY: ADJUSTMENTS FOR ENTITLEMENTS**

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

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

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

In the event of an SPSA Delivery Failure under a Master SPSA ID, if the Master SPSA Holder fails to instruct the relevant Custodian Participant or the relevant GCP which is not an Exchange Participant to deliver the relevant China Connect Securities from the relevant Special Segregated Accounts to the relevant China Connect Clearing Participant, HKSCC may in its sole discretion correspondingly reduce the sellable balance with respect to the relevant China Connect Securities that were the subject of the SPSA Delivery Failure or reduce the sellable balances of all the China Connect Securities under such Master SPSA ID to zero on the next Trading day or for such longer period as HKSCC may in its absolute discretion consider appropriate.

**10A.8 RISK MANAGEMENT: MAINLAND SETTLEMENT DEPOSIT****10A.8.1 General**

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

To monitor and control such risk exposure, HKSCC will collect Mainland Settlement Deposit in respect of each China Connect Market from China Connect Clearing Participants. HKSCC will compute and collect Mainland Settlement Deposit in accordance with the provisions of this Section 10A.8 in the form of cash in Renminbi, rounded to the nearest RMB1. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Mainland Settlement Deposit in any Eligible Currency. HKSCC shall have the right to satisfy its obligations as clearing participant to the China Connect Clearing House under the relevant Clearing Link with, or otherwise use, the Mainland Settlement Deposit collected from China Connect Clearing Participants.

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

**10A.8.2 Computation of Mainland Settlement Deposit**

In respect of each China Connect Market, the Mainland Settlement Deposit requirement of a China Connect Clearing Participant will be the higher of:

Daily Mainland Settlement Deposit requirement

and

Monthly Mainland Settlement Deposit requirement.

## (i) Daily Mainland Settlement Deposit requirement

Daily Mainland Settlement Deposit requirement in respect of a China Connect Market will be computed on a daily basis using the following formula:

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

where

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

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

Contract value of overdue short positions is the contract value of all overdue short stock positions in China Connect Securities on the relevant China Connect Market of the China Connect Clearing Participant on a Trading day; and

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

## (ii) Monthly Mainland Settlement Deposit requirement

Monthly Mainland Settlement Deposit requirement in respect of a China Connect Market for a particular month will be computed using the following formula:



$$\left( \frac{\text{Sum of buy turnover and contract value of overdue short positions in China Connect Securities on each Trading day on the relevant China Connect Market in the previous month}}{\text{Number of Trading days having buy turnover on the relevant China Connect Market in the previous month}} + \frac{\text{Sum of sell turnover for Special Segregated Accounts on each Trading day on the relevant China Connect Market in the previous month}}{\text{Number of Trading days having sell turnover for Special Segregated Accounts on the relevant China Connect Market in the previous month}} \right) \times \text{Settlement Deposit Rate of the relevant China Connect Market}$$

Except that where the China Connect Clearing Participant does not have any buy turnover in China Connect Securities on the relevant China Connect Market on a Trading day, the contract value of any overdue short positions on that day is excluded from the “Sum of buy turnover and contract value of overdue short positions in China Connect Securities on each Trading day on the relevant China Connect Market in the previous month”.

### 10A.8.3 Example (Computation of Mainland Settlement Deposit Requirement for a China Connect Market)

	<i>(RMB)</i>
(a) Buy turnover in China Connect Securities on the China Connect Market	3,000,000
(b) Contract value of overdue short positions in China Connect Securities on the China Connect Market	50,000
(c) Sell turnover in China Connect Securities for Special Segregated Accounts on the China Connect Market	100,000
(d) Settlement Deposit Rate of the China Connect Market = 20%	
(e) Daily Mainland Settlement Deposit requirement [(a) + (b) + (c)] × (d)	630,000
(f) Monthly Mainland Settlement Deposit requirement	550,000
(g) Mainland Settlement Deposit requirement: Higher of (e) & (f)	630,000

### 10A.8.4 Example (Computation of Monthly Mainland Settlement Deposit Requirement for a China Connect Market)

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

	<u>Day 1</u>	<u>Day 2</u>	<u>Day 3</u>	<u>Day 4</u>	<u>Day 5</u>	<u>Total</u>
	<u>(RMB)</u>	<u>(RMB)</u>	<u>(RMB)</u>	<u>(RMB)</u>	<u>(RMB)</u>	<u>(RMB)</u>
(a) Buy turnover in China Connect Securities on the China Connect Market	1,000,000	10,000	0	200,000	0	1,210,000
(b) Contract value of overdue short positions in China Connect Securities on the China Connect Market	200,000	800,000	4,000	0	0	1,004,000
(c) (a) + (b) excluding days without buy turnover	1,200,000	810,000	0	200,000	0	2,210,000
(d) Sell turnover in China Connect Securities for Special Segregated Accounts on the China Connect Market	500,000	0	600,000	300,000	900,000	2,300,000
(e) Number of days having buy turnover on the China Connect Market in the month = 3						
(f) Number of days having sell turnover for Special Segregated Accounts on the China Connect Market in the month = 4						
(g) Settlement Deposit Rate of the China Connect Market = 20%						

Monthly Mainland Settlement Deposit requirement

$$= [(c) / (e) + (d) / (f)] \times (g)$$

$$= \text{RMB } (2,210,000 / 3 + 2,300,000 / 4) \times 20\%$$

$$= \text{RMB } 262,333 \text{ (rounded to nearest RMB1)}$$

$$= \text{RMB } 262,333$$

### 10A.8.5 [Repealed]

### 10A.8.6 Interest on Mainland Settlement Deposit collected

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

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

#### **10A.8.7 Collection of Mainland Settlement Deposit**

Mainland Settlement Deposit requirement to be demanded from a China Connect Clearing Participant for a China Connect Market on each Trading Day will be compared to the amount collected for that China Connect Market in the CCMS House Collateral Account of the China Connect Clearing Participant. If there is any shortfall in the Mainland Settlement Deposit required for that China Connect Market, HKSCC shall have the right to and will, subject to any surplus cash collateral for Mainland Security Deposit for that China Connect Market being first applied to cover any shortfall in Mainland Security Deposit requirement for the other China Connect Market in accordance with Section 10A.9.5, apply any remaining surplus cash collateral over Mainland Security Deposit in the CCMS House Collateral Account of the China Connect Clearing Participant for that China Connect Market, followed by any surplus cash collateral over Mainland Security Deposit in its CCMS House Collateral Account for the other China Connect Market, towards satisfaction of such shortfall and will collect any remaining shortfall in the currency in which the Mainland Settlement Deposit requirement is calculated. Notwithstanding the foregoing, HKSCC reserves the right to collect the remaining shortfall in Mainland Settlement Deposit required in any Eligible Currency.

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

Upon termination of a Clearing Participant as a China Connect Clearing Participant, provided that all liabilities of such Clearing Participant to HKSCC in respect of Market Contracts in China Connect Securities, whether actual or contingent, have been satisfied or provided for in full and provided that all payments by HKSCC to the relevant China Connect Clearing House as

cover for HKSCC's corresponding liabilities to the China Connect Clearing House have been repaid by the China Connect Clearing House to HKSCC, HKSCC shall, subject to any deductions which may be allowed under the Rules, redeliver to the Clearing Participant such amount as shall represent the balance of any Mainland Settlement Deposit which the Clearing Participant has provided to HKSCC.

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

#### **10A.8.8 Intra-day Mainland Settlement Deposit**

In addition to day-end Mainland Settlement Deposit, a China Connect Clearing Participant shall on demand pay to HKSCC within the time period specified by HKSCC such intra-day Mainland Settlement Deposit in respect of such China Connect Market as HKSCC may from time to time determine by reference to the buy turnover and contract value of overdue short positions in China Connect Securities of the China Connect Clearing Participant and its sell turnover in China Connect Securities for Special Segregated Accounts on such China Connect Market. Any shortfall in Intra-day Mainland Settlement Deposit determined by HKSCC will be collected by HKSCC via CPIs to the Designated Bank of the Clearing Participant as part of the CCASS money settlement process or in any other manner determined by HKSCC from time to time.

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

### **10A.9 RISK MANAGEMENT: MAINLAND SECURITY DEPOSIT**

#### **10A.9.1 General**

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

To monitor and control such risk exposure, HKSCC will collect Mainland Security Deposit for each China Connect Market from China Connect Clearing Participants in respect of their net trading amount in China Connect Securities on such China Connect Market under the CNS System. HKSCC will compute and collect Mainland Security Deposit in accordance with the provisions of this Section 10A.9 in the form of cash in Renminbi, rounded to the nearest RMB1. Notwithstanding the foregoing, HKSCC reserves the right to collect the required amount of Mainland Security Deposit in any Eligible Currency.

HKSCC shall have the right to satisfy its obligations as clearing participant to the China Connect Clearing House under the relevant Clearing Link with, or otherwise use, the Mainland Security Deposit collected from China Connect Clearing Participants.

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

### 10A.9.2 Computation of Mainland Security Deposit

In respect of each China Connect Market, the Mainland Security Deposit requirement of a China Connect Clearing Participant will be computed at the beginning of each month using the following formula:

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

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

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

### 10A.9.3 [Repealed]

### 10A.9.4 Interest on Mainland Security Deposit collected

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

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

### 10A.9.5 Collection of Mainland Security Deposit

The Mainland Security Deposit requirement of a China Connect Clearing Participant for a China Connect Market on the first Business Day of each month will be compared to the amount collected for that China Connect Market in the CCMS House Collateral Account of the China Connect Clearing Participant. If there is any shortfall in its Mainland Security Deposit requirement for that China Connect Market, HKSCC shall have the right to and will first apply any surplus cash collateral over Mainland Security Deposit in the CCMS House Collateral Account of the China Connect Clearing Participant for the other China Connect Market towards satisfaction of such shortfall and will collect any remaining shortfall in the currency in which the Mainland Security Deposit is calculated. Notwithstanding the foregoing, HKSCC reserves

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the right to collect the remaining shortfall in Mainland Security Deposit required in any Eligible Currency.

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

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

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

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

## **10A.10 RISK MANAGEMENT: MARKS**

### **10A.10.1. Purpose of Marks**

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

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

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China Connect Clearing Participants by reference to the market price of the China Connect Securities.

#### **10A.10.2 Computation of Marks**

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

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

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

#### **10A.10.3 Form of Marks**

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

#### **10A.10.4 Notification by HKSCC**

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

#### **10A.10.5 Return of Marks**

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

#### **10A.10.6 Interest on Marks**

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

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

### **10A.11 RISK MANAGEMENT: COLLATERAL**

#### **10A.11.1 Purpose of Collateral**

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

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

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

#### **10A.11.2 Form of Collateral**

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

#### **10A.11.3 Amount of Collateral**

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

#### **10A.11.4 Notification by HKSCC**

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

#### **10A.11.5 Return or Redelivery of Collateral**

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

#### **10A.11.6 Interest on Collateral**

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

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

#### **10A.12 [Repealed]**

#### **10A.13 RISK MANAGEMENT: CASH COLLATERAL**

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

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



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**10A.14 RISK MANAGEMENT: SECURITIES-ON-HOLD OF CHINA CONNECT SECURITIES****10A.14.1 Purpose of Securities-on-hold**

On each Settlement Day, HKSCC will, as and when China Connect Securities are made available to it by the China Connect Clearing House under its rules and procedures relating to the settlement of China Connect Securities Trades, use such China Connect Securities to settle its obligations to China Connect Clearing Participants with long stock positions under the CNS System by allocating such China Connect Securities to their Stock Clearing Accounts in accordance with the allocation algorithm set out in Section 13.4.

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

To guard against this risk exposure, the Rules provide that until such time as HKSCC is satisfied that (i) it has received payment in full in respect of China Connect Securities delivered by HKSCC to a China Connect Clearing Participant under the CNS System on a Settlement Day; and (ii) such payment is good and irrevocable or 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 shall not pass to the China Connect Clearing Participant. Until then, China Connect Clearing Participants will not be allowed to use some or all of such China Connect Securities, except as permitted by HKSCC.

**10A.14.2 Quantity of China Connect Securities allocated which can be used**

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

If a China Connect Clearing Participant wishes to make use of any of such China Connect Securities in its Stock Clearing Account before payment of the amount owed to HKSCC is confirmed good and irrevocable, as long as the value of such China Connect Securities which are to remain in the Stock Clearing Account of the China Connect Clearing Participant (determined by using the Mark-to-market values of the relevant China Connect Securities at the time), discounted by a percentage to be decided by HKSCC (normally ten percent), is not less than the China Connect Clearing Participant's "Outstanding Net Payment Liabilities for the Early Release of Securities-on-hold", the China Connect Clearing Participant will be allowed by HKSCC to make use of the China Connect Securities. The China Connect Clearing Participant's "Outstanding Net Payment Liabilities for the Early Release of Securities-on-hold" referred above in this Section 10A.14.2 shall be the total amount owed to HKSCC deducting the amount of Collateral accepted and received by HKSCC in accordance with Sections 10A.14.4A and 10A.14.5A (in RMB equivalent subject to haircut). The conversion shall be at such exchange rate and subject to such haircut rate as determined by HKSCC from time to time. For the purpose of calculating the total amount owed by a China Connect Clearing Participant to HKSCC, sums so owed and denominated in one Eligible Currency shall not be reduced by sums

owed to that China Connect Clearing Participant by HKSCC which are denominated in any other Eligible Currency.

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

#### 10A.14.3 Example (Quantity of China Connect Securities which can be used)

On a Settlement Day, China Connect Clearing Participant A was allocated 4,000 of Stock X (denominated in RMB) and 3,000 of Stock Y (denominated in RMB) and has RMB80,000 due to HKSCC. China Connect Clearing Participant A has provided to HKSCC cash prepayment of RMB30,000 and Collateral of HKD10,000 in accordance with Section 10A.14.4 and Section 10A.14.4A respectively. The prevailing Mark-to-market price for Stock X is RMB10 and for Stock Y is RMB20. The exchange rate is HKD1 = RMB0.8 and the haircut rate is 3%.

Then:

- (i) Mark-to-market value of China Connect Securities allocated to China Connect Clearing Participant A
  - = RMB10 x 4,000 (stock X) + RMB20 x 3,000 (stock Y)
  - = RMB100,000
- (ii) Discounted market value of such allocated China Connect Securities
  - = RMB100,000 x (1 - 0.1)
  - = RMB90,000
- (iii) Discounted market value of allocated China Connect Securities which could be withdrawn
  - = Discounted market value - (Amount due to HKSCC not covered of allocated China Connect Securities by cash prepayment – Collateral for the early release of Securities-on-hold)
  - = RMB90,000 - RMB(80,000 - 30,000 - 10,000 x 0.8 x (1 - 0.03))
  - = RMB47,760

China Connect Clearing Participant A will be allowed by HKSCC to use allocated China Connect Securities with a total discounted market value of not more than RMB47,760.

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

- (i) 5,306 of Stock X (derived from RMB47,760 ÷ RMB10 ÷ (1 - 0.1)); or
- (ii) 2,653 of Stock Y (derived from RMB47,760 ÷ RMB20 ÷ (1 - 0.1)); or
- (iii) a combination of Stock X and Stock Y so long as their total discounted market value does not exceed RMB47,760.

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

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

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

A China Connect Clearing Participant may pay same day available funds to HKSCC by inputting Cash Prepayment Instructions on each Settlement Day or by inputting a Cash Prepayment Standing Instruction via the “Cash Prepayment Standing Instruction” maintenance function to authorize HKSCC to generate recurring Cash Prepayment Instructions on behalf of the China Connect Clearing Participant on each Settlement Day. The cash prepayment amount that will be generated under a Cash Prepayment Standing Instruction will depend on the payment basis of the standing instruction given by the China Connect Clearing Participant, and will be either (a) the gross amount of the unsettled money obligations on its long CNS stock positions; or (b) the net amount of the unsettled money obligations on its long and short CNS stock positions, plus a certain percentage of the net amount input by the China Connect Clearing Participant.

Any Cash Prepayment Standing Instruction remaining in the “pending status” ten calendar days after its last updated date will be automatically purged from CCASS.

#### **10A.14.4A China Connect Clearing Participant may deposit HKD or USD as Collateral**

On each Settlement Day other than an H-1 day, China Connect Clearing Participants that have outstanding payment obligations to HKSCC but wish to utilize any or all of the Securities-on-hold covering such outstanding payment obligations for any purpose, including to settle SI Transactions during a Settlement Day, may, in addition to or in lieu of effecting cash prepayment, apply for the early release of Securities-on-hold by delivering the required amount of same day available funds in HKD or USD as Collateral to HKSCC’s specified bank account in accordance with the procedures set out in Section 10A.14.5A.

HKSCC has the power to approve or reject a China Connect Clearing Participant’s application for the early release of Securities-on-hold in its sole and absolute discretion.

Without prejudice to Section 10A.14.5A, HKSCC may impose such limit on the amount of Collateral that may be accepted, require such Collateral to be provided in such form and manner, and prescribe such exchange and haircut rates that may be applied as it considers 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 clearing and settlement of China Connect Securities Trades) and such other matters as HKSCC may consider relevant.

Unless HKSCC otherwise approves or the Operational Procedures otherwise provide, no interest will be payable by HKSCC on the Collateral provided by a China Connect Clearing Participant in connection with any early release of Securities-on-hold.

#### **10A.14.5 Procedures relating to cash prepayment**

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

- (a) Cash Prepayment Instructions with “CHATS” set as the payment method
  - (i) China Connect Clearing Participants that wish to make prepayments by means of CPIs shall select “CHATS” as the payment method when creating a Cash Prepayment Instruction via a CCASS Terminal from 4:00 p.m. to 5:30 p.m. or such other time specified by HKSCC from time to time or when creating a Cash Prepayment Standing Instruction via a CCASS Terminal from 8:00 a.m. to 3:00 p.m. or such other time specified by HKSCC from time to time;
  - (ii) To avoid undue concentration of HKSCC’s exposure to a bank appointed by HKSCC as receiving bank for cash payment, cash prepayment is subject to the concentration limit pre-determined by HKSCC in respect of each appointed

receiving bank. HKSCC will only accept or generate Cash Prepayment Instructions within the predetermined concentration limit of the appointed receiving bank. In case a Cash Prepayment Standing Instruction is created and authorized by a China Connect Clearing Participant by 3:00 p.m. on a Settlement Day, Cash Prepayment Instructions will be generated by HKSCC, if applicable, at approximately 4:00 p.m. on the same Settlement Day;

- (iii) Upon the creation and authorization of Cash Prepayment Instructions by China Connect Clearing Participants or the generation of Cash Prepayment Instructions by HKSCC pursuant to Cash Prepayment Standing Instructions, CPIs will be generated to collect the cash prepayments from their Designated Bank Accounts. The CPIs information will be included in the Electronic CHATS Payment Instruction Report (CSEPI03). Based on the report, Designated Banks will issue CPIs to the Clearing House of HKAB to make payment on their behalf. China Connect Clearing Participants must ensure that there are sufficient funds in their Designated Bank Accounts and that the CHATS payments are completed by their Designated Banks no later than 7:00 p.m. or such other time as may be prescribed by HKSCC from time to time;
  - (iv) Upon being notified by the Clearing House of HKAB of the finality of such payment, HKSCC will update the Settlement Accounts of the relevant China Connect Clearing Participants' Money Ledger to reduce their corresponding monetary obligations due to HKSCC and as a result, release equivalent discounted market value of Securities-on-hold (see Section 10A.14.3). China Connect Clearing Participants' Statements of Money Ledger will show the relevant entries. China Connect Clearing Participants can check the status of a Cash Prepayment Instruction via the "Enquire Prepayment Instruction" function of CCASS. For the status of a Cash Prepayment Instruction, China Connect Clearing Participants can make use of the "Enquire Cash Prepayment Instruction" function;
  - (v) China Connect Clearing Participants can operate ATIs to check whether the Securities-on-hold have been released and rely on DIs or Batch-settlement-runs to settle the SI Transactions;
  - (vi) Since HKSCC allocates shares according to a pre-set algorithm, China Connect Clearing Participants making prepayments may not have received all allocated shares. Any surplus funds thus arising will be returned to them on the next Settlement Day via CPI. Please refer further to Section 14.7.2(iib);
  - (vii) In case the relevant cash payment under a Cash Prepayment Instruction input or generated on a Settlement Day is not received by HKSCC, the Cash Prepayment Instruction will be purged from CCASS at the end of the Settlement Day.
- (b) Cash Prepayment Instructions with "OTHERS" set as the payment method
- (i) China Connect Clearing Participants which wish to make prepayments by other means must indicate "OTHERS" as the payment method when creating a Cash Prepayment Instruction via a CCASS Terminal from 4:00 p.m. to 6:00 p.m. or such other time specified by HKSCC from time to time or when creating a Cash Prepayment Standing Instruction via a CCASS Terminal from 8:00 a.m. to 3:00 p.m. or such other time specified by HKSCC from time to time provided that notwithstanding that "OTHERS" is indicated, prepayments shall only be made by means of CPIs on an H-1 day;
  - (ii) To avoid undue concentration of HKSCC's exposure to a bank appointed by HKSCC as receiving bank for cash payment, cash prepayment is subject to the concentration limit pre-determined by HKSCC in respect of each appointed receiving bank. HKSCC will only accept or generate Cash Prepayment Instructions

within the predetermined concentration limit of the appointed receiving bank. In case a Cash Prepayment Standing Instruction is created and authorized by a China Connect Clearing Participant by 3:00 p.m., Cash Prepayment Instructions will be generated by HKSCC, if applicable, at approximately 4:00 p.m. on the same Settlement Day;

- (iii) China Connect Clearing Participants must ensure that same day available funds are transferred to HKSCC's specified bank account no later than 6:00 p.m. or such other time prescribed by HKSCC from time to time. For China Connect Clearing Participants using the same bank as HKSCC, they can make use of the internal account transfer function of the bank or electronic banking services to transmit available funds. For others, they can instruct their banks to make payment to HKSCC via inter-bank transfer with CHATS payment (see CCASS Terminal User Guide for Participants for details);
- (iv) Based on the details of Cash Prepayment Instructions, HKSCC will follow up the funds with its appointed receiving bank and the relevant China Connect Clearing Participants. Only when available funds are confirmed will HKSCC update the relevant China Connect Clearing Participants' Settlement Accounts of Money Ledger to reduce their corresponding monetary obligations due to HKSCC and as a result, release equivalent discounted market value of Securities-on-hold (see Section 10A.14.3). China Connect Clearing Participants' Statements of Money Ledger will show the relevant entries. China Connect Clearing Participants can check the status of a Cash Prepayment Instruction via the CCASS enquiry function of "Enquire Cash Prepayment Instruction";
- (v) China Connect Clearing Participants can operate ATIs to check whether the Securities-on-hold have been released and rely on DIs or Batch-settlement-runs to settle the SI Transactions;
- (vi) Since HKSCC allocates shares according to a pre-set algorithm, China Connect Clearing Participants making prepayments may not have received all allocated shares. Any surplus funds thus arising will be returned to them on the next Settlement Day via CPI. Please refer further to Section 14.7.2 (iib);
- (vii) Acceptance of the prepayment requests will be at HKSCC's full discretion. If China Connect Clearing Participants fail to follow the procedures, and/or for any other reason the requests are subsequently turned down by HKSCC, then the funds received will only be refunded the following Settlement Day without interest;
- (viii) In the event of default of payment (e.g., for any transfers subsequently reversed by the Clearing House of HKAB), HKSCC shall have recourse against the relevant China Connect Clearing Participant;
- (xi) In case cash remittance is made by a China Connect Clearing Participant to HKSCC as cash prepayment not pursuant to any Cash Prepayment Instruction, HKSCC reserves the right not to effect the updating of the China Connect Clearing Participant's Money Ledger on the same day. Such cash payment will be refunded without interest to the China Connect Clearing Participant by crediting the cash payment amount to its Money Ledger on the next Settlement Day; and
- (x) In case the relevant cash payment under a Cash Prepayment Instruction input on a Settlement Day is not received by HKSCC, the Cash Prepayment Instruction will be purged from CCASS at the end of the Settlement Day.

**10A.14.5A Procedures relating to the provision of Collateral for the early release of Securities-on-hold**

The following is a brief description of the procedures relating to the provision of Collateral

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for the early release of Securities-on-hold on each Settlement Day:

- (i) China Connect Clearing Participants that wish to apply for the early release of Securities-on-hold shall submit the prescribed application form to HKSCC between 4:00 p.m. and 5:30 p.m. or during such other period as may be specified by HKSCC from time to time;
- (ii) to avoid undue concentration of HKSCC's exposure to a bank appointed by HKSCC as receiving bank for Collateral, acceptance of Collateral is subject to the concentration limit pre-determined by HKSCC in respect of each appointed receiving bank. HKSCC will only accept Collateral within the predetermined concentration limit of the appointed receiving bank;
- (iii) to avoid undue concentration of HKSCC's FX exposure, the amount of Collateral acceptable by HKSCC on each Settlement Day is subject to such maximum limit as may be prescribed by HKSCC from time to time;
- (iv) China Connect Clearing Participants must ensure that the full amount of Collateral set out in the application for the early release of Securities-on-hold, in the form of same day available funds in HKD or USD, are transferred to HKSCC's specified bank account as Collateral by no later than 5:30 p.m. on the same Settlement Day or such other time as may be prescribed by HKSCC from time to time, failing which the application will be rejected. For China Connect Clearing Participants using the same banks as HKSCC, they can make use of the internal account transfer function of their banks or electronic banking services to transmit available funds. For others, they can instruct their banks to make payment to HKSCC via inter-bank transfer with CHATS payment;
- (v) acceptance of the application for the early release of Securities-on-hold will be at HKSCC's full discretion. HKSCC may approve or reject a China Connect Clearing Participant's application and impose such limit on the acceptable Collateral in its sole and absolute discretion. If a China Connect Clearing Participant fails to follow the procedures, and/or for any other reasons the application is subsequently rejected by HKSCC, any Collateral received will be redelivered to the China Connect Clearing Participant on the following Settlement Day without interest;
- (vi) if the application is approved, HKSCC will release the Securities-on-hold up to the equivalent discounted market value (see Section 10A.14.3) upon receipt of the full amount of acceptable Collateral from the China Connect Clearing Participant;
- (vii) China Connect Clearing Participants can operate ATIs to check whether the Securities-on-hold have been released and rely on DIs or Batch-settlement-runs to settle their SI Transactions;
- (viii) since HKSCC allocates shares according to a pre-set algorithm, China Connect Clearing Participants applying for the early release of Securities-on-hold may not have received all allocated shares. Any surplus Collateral received by HKSCC will only be redelivered to the China Connect Clearing Participants on the next Settlement Day without interest;
- (ix) subject to the relevant default rules under the Rules and Operational Procedures, all Collateral received pursuant to an application for the early release of Securities-on-hold will be redelivered to the relevant China Connect Clearing Participant without interest on the next Settlement Day via EPI unless HKSCC has received a standing instruction from the China Connect Clearing Participant in prescribed form by 2:00 p.m. on the day of redelivery or such other time as may be prescribed by HKSCC from time to time requesting HKSCC not to effect the redelivery of Collateral. For

the purposes of calculating the handling fee in Section 21.1A, any Collateral that is not redelivered to a China Connect Clearing Participant pursuant to a standing instruction shall, unless and until any such Collateral is accepted by HKSCC in relation to a separate application for the early release of Securities-on-hold, be excluded; and

- (x) in the event of default of payment (e.g., for any transfers subsequently reversed by the Clearing House of HKAB), HKSCC shall have recourse against the relevant China Connect Clearing Participant and may take such action against the China Connect Clearing Participant as it considers appropriate.

In respect of any Collateral received pursuant to an application for the early release of Securities-on-hold that is not redelivered to a China Connect Clearing Participant in accordance with the procedures mentioned above, the relevant China Connect Clearing Participant may at any time request HKSCC to redeliver all or any of such amount of surplus Collateral by submitting a withdrawal instruction in prescribed form at or before 2:00 p.m. on a Settlement Day or such other time as may be prescribed by HKSCC from time to time.

## **10A.15 RISK MANAGEMENT: CLOSING-OUT**

### **10A.15.1 Purpose of Closing-out**

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

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

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

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## Section 11

### Exchange Trades - Isolated Trades System

#### 11.1 SETTLEMENT UNDER THE ISOLATED TRADES SYSTEM

##### 11.1.1 Details of Exchange Trades

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

To recap, subject to any Trade Amendments, any “late” Exchange Trades and trades not recognized by the Exchange, Exchange Trades will be settled in CCASS under the Isolated Trades System only if they are isolated from the CNS System by the counterparty Exchange Participants at the time of trade or by HKSCC.

##### 11.1.2 Exchange Trades isolated by Exchange Participants

At the time of trade, two trading counterparty Exchange Participants may elect to have an Exchange Trade settled under the Isolated Trades System instead of the CNS System. Unless this is done at the time of trade, it will be assumed that the two counterparty Exchange Participants would prefer to have the Exchange Trade settled under the CNS System.

Election subsequent to the time of trade will not be entertained by HKSCC.

##### 11.1.3 Exchange Trades isolated by HKSCC

For risk management or other reasons HKSCC may isolate certain Exchange Trades from the CNS System.

Under the Rules, HKSCC may isolate Exchange Trades from the CNS System at any time prior to acceptance for settlement under the CNS System (as confirmed by details of PCSs).

However, HKSCC intends to inform the market in advance if it proposes to isolate a particular Exchange Participant's Exchange Trades from the CNS System or to isolate Exchange Trades in a particular Eligible Security from the CNS System, although it reserves the right not to give advance notice.

Any such information will be provided by HKSCC to Exchange Participants via the Exchange and will be broadcast to Participants via the CCASS Broadcast Message Service.

The following are examples of when HKSCC may isolate a particular Participant's Exchange Trades from the CNS System :

- (i) if the Clearing Participant defaults in payment of any sum due or payable to HKSCC;



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- (ii) if the Clearing Participant and/or in the case of a GCP, including its NCP, in HKSCC's view, engages in unusual, risky or questionable trading practices;
  - (iii) if the Clearing Participant and/or in the case of a GCP, including its NCP, is persistently in breach of the Rules or is subject to disciplinary action or suspension by the Exchange or the Commission; or
  - (iv) if in HKSCC's view, the Clearing Participant may not be able to meet its debts when due.

HKSCC is also likely to isolate Exchange Trades in a particular Eligible Security from the CNS System if the Eligible Security is, in HKSCC's view, the subject of unusual trading activities or is excessively volatile or risky.

#### **11.1.4 Confirmation of acceptance under the Isolated Trades System**

Acceptance by HKSCC of Exchange Trades for settlement under the Isolated Trades System will only be confirmed by details contained in the second batch of PCSs issued by HKSCC to Clearing Participants at or about 8:00 p.m. on each Business Day. Notwithstanding the foregoing, Trade Amendments and "late" Exchange Trades may be accepted by HKSCC, and trades that are not recognized by the Exchange may be excluded, subsequent to the issue of the relevant PCS.

Each Isolated Trade to be cleared and settled by the Clearing Participant will be assigned a unique Settlement Position Number for reference purposes. The Settlement Position Numbers of Isolated Trades will be set out in the FCSs.

#### **11.1.5 Availability of and information contained in PCSs**

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

A PCS will provide a Clearing Participant with information in relation to all Exchange Trades and/or Clearing Agency Transactions effected by it and in the case of a GCP, including those effected and designated to it for clearing by its NCPs on that day. For a particular day, a PCS will set out the details of such Participant's and in the case of a GCP, including its NCPs', Exchange Trades and/or Clearing Agency Transactions to be settled by it under the Isolated Trades System and the details of its net stock position in each Eligible Security traded that day (and the relevant money positions).

For Exchange Trades relating to interest-bearing eligible Debt Securities, accrued interest amount and trade amount of the trades will be displayed separately in the PCSs. In addition, other information such as interest calculation method, interest rate used and number of days used in the calculation of accrued interest will also be provided in the PCSs.

Details of the Exchange Trades of the relevant Clearing Participant and in the case of a GCP, including its NCPs to be settled by it under the CNS System and details of trades in non-Eligible Securities will also be provided in the PCSs.

Details of Clearing Agency Transactions to be settled under the CNS System or the Isolated Trades System will be included in the second batch of PCSs only.

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

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

Where a Clearing Participant is in the process of opening a bank account in an Eligible Currency for money settlement of Exchange Trades and/or Clearing Agency Transactions in that Eligible Currency accepted under the Isolated Trades System, a message will be posted on the PCSs of the Clearing Participant to alert the Clearing Participant that the transaction must be settled on a FOP basis by input of a DI.

#### **11.1.6 Availability of and information contained in FCSs**

Hard copies of FCSs are available to Clearing Participants via CCASS Terminals and Participant Gateways.

A FCS will contain the following information in relation to the Exchange Trades and Clearing Agency Transactions of Clearing Participant and in the case of a GCP, including those of its NCP designated to it for clearing, concluded on the Exchange on the previous Business Day (i.e. T-day) and which are to be settled on the following Settlement Day (i.e. T+2):

- (i) the net stock positions with HKSCC in each Eligible Security (which will each be assigned a unique settlement position number) and their related money positions under the CNS System (taking into account any Trade Amendments accepted by HKSCC, any "late" Exchange Trades accepted by HKSCC and the exclusion of any trades not recognized by the Exchange) as well as details of individual Exchange Trades;
- (ii) the net money position with HKSCC for all net stock positions under the CNS System;
- (iii) details of Exchange Trades accepted for settlement under the Isolated Trades System and their related money positions (including any Trade Amendments thereto approved by the Exchange); and accrued interest amounts of Exchange Trades in interest-bearing eligible Debt Securities;
- (iv) details of Clearing Agency Transactions accepted for settlement under the Isolated Trades System and their related money positions (including any amendments thereto accepted by HKSCC);
- (v) details of Trade Amendments, any "late" Exchange Trades accepted by HKSCC and

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the exclusion of any trades not recognized by the Exchange, if any;

- (vi) details of trades effected in securities listed on the Exchange which are not Eligible Securities (and any Trade Amendments thereto); and
- (vii) details of fees payable in relation to the settlement of Exchange Trades and Clearing Agency Transactions in CCASS (see Section 21.1).

Where a Participant is in the process of opening a bank account in an Eligible Currency for money settlement of Exchange Trades in that Eligible Currency accepted under the Isolated Trades System, a message will be posted on the FCS of the Participant to alert the Participant that the transaction must be settled on a FOP basis by input of a DI.

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

### **11.2.1 General**

In respect of any error relating to Isolated Trades, counterparty Exchange Participants may effect Trade Amendments in the usual way, in accordance with Exchange Rule 528(1). Similarly any “late” Exchange Trades should also be dealt with by the Exchange Participants concerned. Trades in a Structured Product which are effected on or reported to the Exchange after the time of the relevant call event as notified by the Issuer of the Structured Product to or otherwise determined by the Exchange and which are not recognized by the Exchange in accordance with the Exchange Rules may also be excluded.

Arrangements have been made by HKSCC for details of such Trade Amendments, “late” Exchange Trades or trades that are not recognized by the Exchange to be reported to it by the Exchange. Provided that such details are received by HKSCC by the Business Day next following the relevant day of trade, before the usual time for the issue of Final Clearing Statements by HKSCC (see Section 10.2.3), HKSCC will normally accept such Trade Amendments, “late” Exchange Trades and exclusion of trades not recognized by the Exchange and cause adjustments to be made to the settlement positions of the Clearing Participants concerned under the Isolated Trades System (or the CNS System, if relevant).

### **11.2.2 Availability of and information contained in FCSs for Trade Amendments**

Details of any Trade Amendments, or “late” Exchange Trades accepted by HKSCC or the exclusion of trades not recognized by the Exchange will be set out or reflected in FCSs issued by HKSCC to Clearing Participants at or about 2:00 p.m. on the Business Day following the relevant day of trade.

Hard copies of FCSs are available to Clearing Participants via CCASS Terminals and Participant Gateways.

### **11.2.3 Accrued interest adjustment**

For trades in floating rate Debt Securities effected in one interest period and which are due for settlement on or after the first day of the next following interest period, it is possible that the interest rate of the next following interest period may not be fixed by the trade day. Upon notification of the interest rate for the next following interest period by the

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issuer/issuer's agent, HKSCC may adjust the accrued interest amount of the affected positions. Where other circumstances warrant, HKSCC may also adjust the accrued interest in line with market practice.

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

### **11.3 HKSCC NOT RESPONSIBLE FOR ISOLATED EXCHANGE TRADES**

HKSCC are not responsible for any default by Clearing Participants under the Isolated Trades System. A Clearing Participant will itself have to pursue its counterparty Clearing Participants in default.

At present, default by an Exchange Participant in respect of any Isolated Trades are to continue to be covered by the Fidelity Fund and the Guarantee Scheme operated by the Exchange under the Exchange Rules. This is not the responsibility of HKSCC and the position may change in the future.

It should also be noted that, although under the Rules (see Rule 3402) HKSCC may take certain measures in case of late deliveries under the Isolated Trades System, HKSCC is not obliged to do so. Further, such measures by HKSCC, unlike similar measures HKSCC may take under the CNS System, will not be protected under the Securities and Futures Ordinance.

### **11.4 SETTLEMENT OF ISOLATED EXCHANGE TRADES**

#### **11.4.1 General**

Settlement of Exchange Trades under the Isolated Trades System in CCASS is effected directly between the counterparty Clearing Participants on a trade-for-trade basis.

Settlement of Exchange Trades under the Isolated Trades System can be effected either by the multiple Batch-settlement-runs conducted on each Settlement Day by HKSCC or by the delivering Clearing Participants initiating settlement on or after the due dates of the Isolated Trades by the input of DIs.

Exchange Trades for settlement under the Isolated Trades System will be included for settlement in Batch-settlement-runs unless, at any time before settlement, the delivering Clearing Participant makes use of the "Change DI Requirement" function available through its CCASS Terminals or Participant Gateways to specify that a DI must be input by it to effect settlement.

No partial delivery is allowed except where delivery is on an FOP basis.

#### **11.4.2 Example (settlement of Exchange Trades under the Isolated Trades System)**

On T+2, Participant A would like to settle the first isolated Exchange Trade (TRN: 00000001) concluded by itself or by its NCP if Participant A is a GCP, where applicable, using stock X available in its Stock Clearing Account.

For the second isolated Exchange Trade (TRN: 00000002), Participant A has only 6,000 stock Y available in its Stock Segregated Account 05. It agrees with Participant B to deliver the 6,000 stock Y for partial settlement upon receipt of a cheque from Participant B. Partial delivery is only allowed for isolated Exchange Trades settled on a FOP basis.)

Participant A inputs the following DIs to effect settlement in CCASS :

TRN	Payment Instruction	Delivering Stock Account	Stock	Delivering Quantity
00000001	DVP	Clearing A/C 01	X	5,000
00000002	FOP	Segregated A/C 05	Y	6,000

### 11.5 MONEY SETTLEMENT OF ISOLATED EXCHANGE TRADES

Settlement of Exchange Trades through the Isolated Trades System under a Batch-settlement-run will always be effected on a DVP basis (except where an isolated Exchange Trade has been partially settled by a DI on an FOP basis, in which case settlement of the remainder of the isolated Exchange Trade will also be effected on a FOP basis if included in a Batch-settlement-run).

In relation to Exchange Trades settled under the Isolated Trades System by DIs, the delivering Clearing Participants may specify in their DIs whether delivery is to be made on a DVP or FOP basis.

Upon settlement of an isolated Exchange Trade in CCASS on a DVP basis, HKSCC will issue EPIs for the relevant amount (based on details of the isolated Exchange Trade received from the Exchange) to the Designated Banks of the two Clearing Participants concerned to effect payment for value on the same day. For Exchange Trades in interest-bearing eligible Debt Securities, relevant amounts of EPIs will include the accrued interest amount of the corresponding Exchange Trades. The Settlement Reports of the Participants concerned will show the relevant entries and details of the relevant EPIs.

Clearing Participants themselves will have to monitor confirmation of good payment in relation to isolated Exchange Trades to be settled through the Isolated Trades System on a DVP basis in CCASS.

To effect money settlement of Isolated Exchange Trades on a DVP basis in a particular Eligible Currency, both delivering and receiving Participants must maintain a Designated Bank Account in that Eligible Currency.

### 11.6 LATE DELIVERY : DEFAULT FEE

HKSCC may require Clearing Participants who fail to settle their Isolated Trades on the due dates therefore to pay to it default fees. Default fees levied by HKSCC may be retained by HKSCC for use for CCASS purposes.

### 11.7 LATE DELIVERY : STOCK BORROWING

In relation to Isolated Trades which are not settled by Clearing Participants on the due dates, HKSCC may direct the defaulting Clearing Participants to effect a stock borrowing

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of the relevant Eligible Securities or HKSCC may itself effect a stock borrowing on their behalf.

HKSCC does not intend to exercise this right at present but reserves the right to do so.

## **11.8 LATE DELIVERY: BUY-IN**

### **11.8.1 Purposes**

The purpose of a Buy-in is to ensure that unsettled short stock positions of Clearing Participants under the Isolated Trades System are settled without undue delay.

Under the Rules, HKSCC may (i) direct a defaulting Clearing Participant to effect or arrange a Buy-in; or (ii) HKSCC may itself effect a Buy-in on behalf of the defaulting Clearing Participant and for such purpose, may on behalf of that Clearing Participant direct HKSCC's authorized brokers to assist.

For convenience, Participants with long unsettled stock positions under the Isolated Trades System are referred to in this Section as "Long Clearing Participants". Participants with unsettled short stock positions under the Isolated Trades System are referred to in this Section as "Short Clearing Participants".

### **11.8.2 Timing of Buy-in**

All stock positions of a Short Clearing Participant under the Isolated Trades System which are outstanding for settlement after the due date (i.e., T+2) may be subject to a Buy-in.

### **11.8.3 Complaint driven**

In general, HKSCC will only require a Buy-in in respect of late delivery under the Isolated Trades System if HKSCC receives a complaint from the Long Clearing Participant in an outstanding Isolated Trade.

A Long Clearing Participant wishing to make a complaint to HKSCC must complete and return a "Buy-in Request Form (Isolated Trades)" (see CCASS Terminal User Guide for Participants for the form) to HKSCC. HKSCC may require the Long Clearing Participant to provide further information to substantiate its complaint.

### **11.8.4 Buy-in process by a Short Clearing Participant as directed by HKSCC**

The following explains the usual process of a Buy-in by a Short Clearing Participant in greater detail:

- (i) after HKSCC is satisfied that a complaint by a Long Clearing Participant is substantiated and that a Buy-in is appropriate, a Buy-in request will be issued by HKSCC to the Short Clearing Participant;
- (ii) unless otherwise waived by HKSCC, a Short Clearing Participant notified of a Buy-in request by HKSCC will normally be required to complete the Buy-in trade on the Exchange by 11:00 am on the day of issue of such Buy-in request (or within such other time limit, if any, stipulated by HKSCC);
- (iii) the Short Clearing Participant arranging a Buy-in will have to inform HKSCC (in the prescribed manner) immediately upon the conclusion of the trade on the

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Exchange of the details of the Buy-in, including the identity of the counterparty (see CCASS Terminal User Guide for Participants for the form); and

- (iv) with the assistance of the Exchange, HKSCC will monitor the execution of Buy-in trades for Short Clearing Participants and may telephone the relevant Short Clearing Participants to remind them to arrange Buy-in trades.

#### **11.8.5 Buy-in process by HKSCC on behalf of a Short Clearing Participant**

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

- (i) HKSCC will usually inform the Short Clearing Participant of its decision to effect a Buy-in but reserves the right not to do so;
- (ii) HKSCC may on behalf of that Short Clearing Participant instruct other authorized brokers to assist in effecting a Buy-in on the Exchange (noting that, unless otherwise agreed in writing by HKSCC, an authorized broker assisting HKSCC will only have recourse against the relevant Short Clearing Participant, and not HKSCC);
- (iii) HKSCC shall effect a Buy-in 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, the Exchange, and a recognized exchange controller which is the controller of HKSCC shall have no liability if HKSCC acts in good faith);
- (iv) after effecting such a Buy-in HKSCC will inform the Short Clearing Participant of the details of the Buy-in.

#### **11.8.6 Buy-in to be effected under the Isolated Trades System**

All Buy-ins in respect of outstanding Isolated Trades will be effected under the Isolated Trades System and the selling counterparty Exchange Participant to a Buy-in will have to be so informed by the Short Clearing Participant directed by HKSCC to effect a Buy-in or informed by HKSCC (via the authorized broker acting on HKSCC's behalf where HKSCC itself effects a Buy-in on behalf of a Short Clearing Participant).

The selling counterparty Exchange Participant to a Buy-in will then identify the Buy-in trade as one to be settled under the Isolated Trades System by keying in "B" in the "reference field" on the trading terminal of the Exchange.

Where relevant, the selling counterparty Exchange Participant to a Buy-in will also be informed that the Buy-in is to have a different settlement period than the normal settlement period of T+2.

If the selling counterparty Exchange Participant (or where applicable, its GCP) to a Buy-in fails to settle on the due date, it will normally be subject to a further Buy-in to be effected under the Isolated Trades System on the trading day following the due date.

#### **11.8.7 Waiver**

A Short Clearing Participant may apply to HKSCC for a waiver by completing an Application for Exemption of Buy-in Form (see CCASS Terminal User Guide for Participants for the form). HKSCC will normally only grant a waiver if the Isolated Trade in question has been settled.

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HKSCC may also grant a waiver of a Buy-in if the relevant Long Clearing Participant wishes to withdraw a complaint (provided that such withdrawal is accepted by HKSCC). A Long Clearing Participant wishing to withdraw a complaint may apply to HKSCC by completing a "Withdrawal of Buy-in Request Form (Isolated Trades)" (see CCASS Terminal User Guide for Participants for the form).

## **11.9 LATE DELIVERY : ADJUSTMENTS FOR ENTITLEMENTS**

### **11.9.1 General**

A Participant's entitlement to participate through CCASS in corporate actions etc. affecting Eligible Securities will be determined by HKSCC by reference to the holding of that Participant in the relevant Eligible Securities as at the date on which the entitlement of HKSCC or the Nominee is determined (usually the last registration day before the relevant book close or record date).

If, as at that date, a Clearing Participant has any outstanding unsettled Isolated Trades as a result of late deliveries, certain adjustments or claims to its entitlements may have to be made between it and the counterparty Clearing Participants to such Isolated Trades.

This Section explains certain rules dealing with such adjustments or claims between Clearing Participants which, unless expressly agreed to the contrary, will be deemed to be binding on Clearing Participants in relation to the Isolated Trades System. Unless otherwise provided in the Rules or determined by HKSCC, the rules set out in this Section will not normally apply if the Short Clearing Participant to an unsettled stock position under the Isolated Trades System makes delivery of relevant Eligible Securities in CCASS to the counterparty Long Clearing Participant on or before the date on which the entitlement of HKSCC or the Nominee is determined.

The rules explained in this Section do not cover adjustments and claims in relation to all types of corporate actions. HKSCC may from time to time prescribe further rules, procedures or facilities in relation to adjustments for entitlements under the Isolated Trades System in respect of corporate actions etc., either generally or on a case by case basis.

Where any Clearing Participants default in the performance of their obligations hereunder then the defaulting Clearing Participants will be responsible for all costs expenses and damages incurred in consequence of such defaults.

### **11.9.2 General principles**

Section 11.9.3 to Section 11.9.11 deal with specific types of corporate actions etc. affecting Eligible Securities and explain the general rules, if any, which are deemed to apply to adjustments for entitlements between Clearing Participants, unless expressly agreed to the contrary by two counterparty Clearing Participants to an Isolated Trade.

The rules set out in this Section concern mainly adjustments or claims for late deliveries under the Isolated Trades System in relation to corporate actions etc., affecting Eligible Securities which involve entitlements of payments or securities accruing to Eligible Securities. In relation to corporate actions such as voting, takeover offers etc. which are not dealt with in this section, Clearing Participants affected by late deliveries under the Isolated



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Trades System will have to pursue claims against their counterparty Clearing Participants in the normal way.

For the avoidance of doubt, each Clearing Participant acknowledges and confirms that HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC shall not be liable in relation to adjustments or claims in respect of dividends, rights, entitlements, securities and other property accruing to Eligible Securities as a result of late deliveries by other Clearing Participants under the Isolated Trades System and shall not be so liable as a result of any rules established by HKSCC in relation thereto.

### **11.9.3 Cash dividend entitlements**

In relation to cash dividends, whether in Hong Kong dollars or in a foreign currency, the Short Clearing Participants are obliged to deliver to the relevant counterparty Long Clearing Participants cheques for the relevant amounts representing the dividends due to such Long Clearing Participants (or by foreign currency bank drafts in relation to dividend in a foreign currency) on or before the relevant dividend payment date.

HKSCC will not be responsible for paying Long Clearing Participants the cash dividend entitlements accruing to their unsettled stock positions under the Isolated Trades System. If Long Clearing Participants do not receive such entitlements from the relevant counterparty Short Clearing Participants, Long Clearing Participants will have to pursue claims against the relevant counterparty Short Clearing Participants.

### **11.9.4 Bonus issues of securities**

In relation to bonus issues of securities, Short Clearing Participants are obliged to deliver to the relevant counterparty Long Clearing Participants the number of bonus securities accruing to their unsettled stock positions under the Isolated Trades System on or before the distribution date of such bonus securities.

HKSCC will not be responsible for delivering to Long Clearing Participants the bonus securities accruing to their unsettled stock positions under the Isolated Trades System. If Long Clearing Participants do not receive such entitlements from the relevant counterparty Short Clearing Participants, Long Clearing Participants will have to pursue claims against the relevant counterparty Short Clearing Participants.

### **11.9.5 Dividend entitlements with options**

In relation to dividend entitlements with options, Long Clearing Participants will have to inform the relevant counterparty Short Clearing Participants in writing the option they wish to elect. If Long Clearing Participants fail to inform the Short Clearing Participants of their election the Business Day before the deadline for election imposed by the issuers of the relevant Eligible Securities, Long Clearing Participants will be treated as having chosen the "default" option specified by the issuers of the relevant Eligible Securities (or if no such "default" option is specified, the option as elected by the relevant counterparty Clearing Participants).

Short Clearing Participants will be required to deliver cheques or foreign currency bank drafts or bonus securities to Long Clearing Participants in the manner specified in Section 11.9.3 or Section 11.9.4 as appropriate.

HKSCC will not be responsible for paying Long Clearing Participants the relevant cash

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dividends or to deliver the stock dividends accruing to their unsettled stock positions under the Isolated Trades System. If Long Clearing Participants do not receive such entitlements from the relevant counterparty Short Clearing Participants, Long Clearing Participants will have to pursue claims against the relevant counterparty Short Clearing Participants.

#### **11.9.6 Rights issues**

In relation to rights issues, Short Clearing Participants are required to deliver the relevant number of nil paid rights (PALs) to the relevant counterparty Long Clearing Participants on the distribution date of such nil paid rights.

In relation to Exchange Trades in PALs to be settled under the Isolated Trades System in CCASS the following procedures will normally apply:

- (i) Long Clearing Participants wishing to subscribe for rights shares through CCASS in respect of their unsettled stock positions under the Isolated Trades System in such PALs must complete and return the Rights Issue Subscription Election Form - IT Positions (see CCASS Terminal User Guide for Participants for the form) and Declaration Form to HKSCC together with a cashier order for the relevant amount by 2:00 p.m. on the Business Day before the last day for Subscription for the rights shares in question or such other means and time as may be specified by HKSCC. This will be dealt with by HKSCC in the normal way (see Section 8.10);
- (ii) if the Long Clearing Participants fail to receive any of the PALs or only receive part of the PALs from their counterparty Short Clearing Participants before the last day for subscription (or by the first Batch-settlement-run on the last day for subscription if the last day for subscription falls on the second Settlement Day following the last trading day of the PALs), HKSCC will not process the subscription request of the Long Clearing Participants or will only process partial subscription based on the quantity of PALs received by the Long Clearing Participants; and
- (iii) HKSCC will refund the whole subscription money or the balance of the subscription money, as the case may be, to the Long Clearing Participants.

In such case, the Long Clearing Participants will have to pursue their counterparty Short Clearing Participants for the rights shares unable to be subscribed by HKSCC on their behalf. The following procedures will normally apply:

- (i) Long Clearing Participants should notify the relevant counterparty Short Clearing Participants in writing of their decision to apply for rights shares not later than 12:00 noon on the last day for subscription for the rights shares in question or such other time as may be specified by HKSCC provided that, if the last day for subscription falls on a Saturday, the Long Clearing Participants will have to inform the counterparty Short Clearing Participants of their election not later than 12:00 noon on the Business Day before the last day of subscription or such other time as may be specified by HKSCC;
- (ii) based on the election of Long Clearing Participants, the relevant counterparty Short Clearing Participants will have to deliver to the Long Clearing Participants on or before the date of distribution of rights shares, the relevant number of such rights shares the Long Clearing Participants wish to apply for (up to the number capable

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of being subscribed in respect of the relevant unsettled stock positions under the Isolated Trades System); and

- (iii) concurrently against receipt from the Short Clearing Participants of rights shares, the relevant counterparty Long Clearing Participants have to deliver to the Short Clearing Participants cheques for the relevant amounts, based on the subscription price of the rights shares as well as cheques for the purchase price in respect of the relevant unsettled stock positions under the Isolated Trades System. The two counterparty Participants will then have to apply jointly to HKSCC by submitting an Application for cancellation of Settlement Position (see CCASS Terminal User Guide for Participants for the form) to cancel the stock positions in respect of such Isolated Trades.

As for excess shares, Long Clearing Participants will have to pursue their remedies, if any, against the counterparty Short Clearing Participants in the normal way.

HKSCC will not be responsible for delivering nil paid rights, rights shares or excess shares to Long Clearing Participants. If Long Clearing Participants do not receive such nil paid rights or rights shares or excess shares from the relevant counterparty Short Clearing Participants, Long Clearing Participants will have to pursue claims against the relevant counterparty Short Clearing Participants.

#### **11.9.7 Open offers**

In relation to open offers:

- (i) Long Clearing Participants wishing to apply for all or part of their pro-rata entitlements for new shares under an open offer (in respect of relevant unsettled stock positions under the Isolated Trades System as at the date for determination of entitlement to participate in an open offer) should notify the relevant counterparty Short Clearing Participants in writing of their decision to do so not later than 12:00 noon on the last day for subscription under the open offer or such other time as may be specified by HKSCC stating the number of new shares they wish to apply for (up to their pro-rata entitlements in respect of the relevant unsettled stock positions under the Isolated Trades System) provided that, if the last day of subscription falls on a Saturday, the Long Clearing Participants will have to inform the counterparty Short Clearing Participants of their election not later than 12:00 noon on the Business Day before the last day for subscription or such other time as may be specified by HKSCC;
- (ii) in such cases, the Short Clearing Participants are obliged to deliver to the relevant counterparty Long Clearing Participants on or before the date of distribution of new shares under an open offer, the relevant number of new shares representing the number of shares the Long Clearing Participants wish to apply for (up to the pro-rata entitlements in respect of their outstanding unsettled Isolated Trades under the terms of such open offer); and
- (iii) concurrently against receipt from the Short Clearing Participants of new shares, the relevant Long Clearing Participants will have to deliver to the Short Clearing Participants cheques for the relevant amounts for the subscription price of such new shares under the terms of the open offer.

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The provisions in this Section 11.9.7 do not deal with the application for excess shares under open offers. Long Clearing Participants will have to pursue their remedies, if any, against the counterparty Short Clearing Participants in the normal way.

HKSCC will not be responsible to Long Clearing Participants that fail to receive new shares pursuant to their pro-rata entitlements under open offers in respect of their unsettled stock positions under the Isolated Trades System or for any excess shares. If Long Clearing Participants do not receive such new shares or excess shares from the relevant counterparty Short Clearing Participants, Long Clearing Participants will have to pursue claims against the relevant counterparty Short Clearing Participants.

#### **11.9.8 Conversion of warrants**

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

- (i) Long Clearing Participants wishing to subscribe for or purchase securities under the warrants through CCASS in respect of their outstanding unsettled Isolated Trades in the warrants must complete and return the Warrant Conversion Election Form - IT Positions (see CCASS Terminal User Guide for Participants for the form) and Declaration Form to HKSCC together with a cashier order for the relevant amount by 2:00 p.m. on the Business Day before the last day for subscription of the warrants or such other means and time as may be specified by HKSCC. This will be dealt with by HKSCC in the normal way (see Section 8.13);
- (ii) if the Long Clearing Participants fail to receive any of the warrants or only receive part of the warrants from their counterparty Short Clearing Participants before the last day for subscription (or by the first Batch-settlement-run on the last subscription day if the last subscription day falls on the second settlement day following the last trading day of the warrants), HKSCC will not process the subscription request of the Long Clearing Participants or will only process partial subscription based on the quantity of warrants received by the Long Clearing Participants; and
- (iii) HKSCC will refund the whole subscription money or the balance of the subscription money, as the case may be, to the Long Clearing Participants.

In such case, the Long Clearing Participants will have to pursue their counterparty Short Clearing Participants for the new shares unable to be subscribed by HKSCC on their behalf. The following procedures will normally apply:

- (i) Long Clearing Participants wishing to subscribe for or purchase securities under the warrants will have to inform the relevant counterparty Short Clearing Participants in writing of their election to subscribe or purchase securities under the warrants not later than 12:00 noon on the last day of subscription of the warrants or such other time as may be specified by HKSCC (or the last day to participate in corporate action affecting the warrants, as the case may be) provided that, if the last day of subscription falls on a Saturday, the Long Clearing Participants will have to inform the counterparty Short Clearing Participants of their election not later than 12:00 noon on the Business Day before the last day of subscription or such other time as may be specified by HKSCC;
- (ii) based on the election of Long Clearing Participants, the relevant counterparty Short Clearing Participants will have to deliver to the Long Clearing Participants on or before the date of distribution of securities under the warrants, the relevant number

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of such securities the Long Clearing Participants wish to apply for (up to the number capable of being subscribed or purchased in respect of the relevant unsettled stock positions under the Isolated Trades System); and

- (iii) concurrently against receipt from the Short Clearing Participants of securities under the warrants, the relevant counterparty Long Clearing Participants will have to deliver to the Short Clearing Participants cheques for the relevant amounts, based on the subscription price of the securities under the warrants as well as cheques for the purchase price in respect of the relevant unsettled stock positions under the Isolated Trades System. The two counterparty Clearing Participants will then have to apply jointly to HKSCC by submitting an Application for cancellation of Settlement Position (see CCASS Terminal User Guide for Participants for the form) to cancel the stock positions in respect of such Isolated Trades.

HKSCC will not be responsible to deliver new securities to Long Clearing Participants. If Long Clearing Participants do not receive such new securities from the relevant Short Clearing Participants, Long Clearing Participants will have to pursue claims against the relevant counterparty Short Clearing Participants.

#### **11.9.8A Automatic exercise / Redemption of listed Structured Products at expiry**

Structured Products listed on the Exchange which are in-the-money will be exercised automatically at expiry upon the lapse of the date of expiry specified in the relevant listing document (“normal expiry”) or upon the Structured Products being early terminated as a result of the occurrence of the relevant call event (“early expiry”). In relation to the cash payments to which Participants are entitled upon the automatic exercise of such Structured Products at expiry, the Short Clearing Participants are obliged to deliver to the relevant counterparty Long Clearing Participants cheques for the relevant amounts representing the cash payments due to such Long Clearing Participants (or by foreign currency bank drafts in relation to cash payments in a foreign currency) on or before the relevant payment day.

In relation to redemption proceeds in the form of cash payment in an Eligible Currency, the Short Clearing Participants are obliged to deliver to the relevant counterparty Long Clearing Participants cheques for the relevant amounts representing the cash payments due to such Long Clearing Participants (or by foreign currency bank drafts in relation to cash payments in a foreign currency) on or before the relevant payment day.

In relation to redemption proceeds in the form of underlying securities, the Short Clearing Participants are obliged to deliver to the relevant counterparty Long Clearing Participants the relevant quantities of underlying securities accruing to their unsettled stock positions under the Isolated Trades System on or before the relevant distribution day.

HKSCC will not be responsible for paying/delivering to the Long Clearing Participants the cash payments/underlying securities accruing to their unsettled stock positions under the Isolated Trades System. If the Long Clearing Participants do not receive such cash payments/underlying securities from the relevant counterparty Short Clearing Participants, the Long Clearing Participants will have to pursue their own claims against the relevant counterparty Short Clearing Participants.

**11.9.8B** Repealed

**11.9.8C** Repealed

#### **11.9.9 Interest payments**

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In relation to interest payments, the Short Clearing Participants are obliged to deliver to the relevant counterparty Long Clearing Participants cheques for the relevant amounts representing the interest due to such Long Clearing Participants on or before the relevant interest payment date.

HKSCC will not be responsible for paying Long Clearing Participants the interest payments accruing to their unsettled stock positions under the Isolated Trades System in Debt Securities. If Long Clearing Participants do not receive such entitlements from the relevant counterparty Short Clearing Participants, Long Clearing Participants will have to pursue claims against the relevant counterparty Short Clearing Participants.

#### **11.9.10 Conversion of Debt Securities**

In relation to conversion of eligible Debt Securities close to maturity or otherwise subject to corporate actions, the following procedures will normally apply:

- (i) Long Clearing Participants wishing to subscribe for or purchase securities accruing to their unsettled stock positions under the Isolated Trades System in Debt Securities through CCASS must complete and return the Debt Securities Conversion Request Form - IT Positions (see CCASS Terminal User Guide for Participants for the form) and Declaration Form to HKSCC together with a cashier order for the relevant amount by 2:00 p.m. on the Business Day before the last day for subscription/conversion of the Debt Securities (or the Business Day before the last day to participate in corporate actions affecting the Debt Securities, as the case may be) or such other means and time as may be specified by HKSCC. This will be dealt with by HKSCC in the normal way (see Section 8.16);
- (ii) if the Long Clearing Participants fail to receive any of the Debt Securities or only receive part of the Debt Securities from their counterparty Short Clearing Participants before the last day for subscription/conversion (or by the first Batch-settlement-run on the last subscription/conversion day if the last subscription day falls on the second settlement day following the last trading day of the Debt Securities), HKSCC will not process the subscription/conversion request of the Long Clearing Participants or will only process partial subscription/conversion based on the quantity of Debt Securities received by the Long Clearing Participants; and
- (iii) HKSCC will refund the whole subscription/conversion money or the balance of the subscription/conversion money, as the case may be, to the Long Clearing Participants.

In such case where the Long Clearing Participants fail to receive all or any part of the securities due under the Debt Securities conversion/corporate action they will have to pursue their counterparty Short Clearing Participants for the securities unable to be subscribed/converted by HKSCC on their behalf. The following procedures will normally apply:

- (i) Long Clearing Participants wishing to subscribe for or purchase securities under the conversion of Debt Securities will have to inform the relevant counterparty Short Clearing Participants in writing of their election to subscribe or purchase securities under the Debt Securities not later than 12:00 noon on the last day of subscription/conversion of the Debt Securities or such other time as may be specified by HKSCC (or the last day to participate in corporate action affecting the Debt Securities, as the case may be) provided that, if the last day of subscription/conversion falls on a Saturday, the Long Clearing Participants will have

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to inform the counterparty Short Clearing Participants of their election not later than 12:00 noon the Business Day before the last day of subscription/conversion or such other time as may be specified by HKSCC;

- (ii) based on the election of Long Clearing Participants, the relevant counterparty Short Clearing Participants will have to deliver to the Long Clearing Participants on or before the date of distribution of securities under the Debt Securities conversion, the relevant number of such securities (and the relevant amount of accrued interest, if applicable) the Long Clearing Participants wish to apply for (up to the number capable of being subscribed or purchased in respect of the relevant unsettled stock positions under the Isolated Trades System); and
- (iii) concurrently against receipt from the Short Clearing Participants of securities under the Debt Securities, the relevant counterparty Long Clearing Participants will have to deliver to the Short Clearing Participants cheques for the relevant amounts, based on the Debt Securities as well as cheques for the purchase price in respect of the relevant unsettled stock positions under the Isolated Trades System. The two counterparty Clearing Participants will then have to apply jointly to HKSCC by submitting an Application for cancellation of Settlement Position (see CCASS Terminal User Guide for Participants for the form) to cancel the stock position in respect of such Isolated Trades.

HKSCC will not be responsible to deliver securities accruing as a result of the Debt Securities conversion/corporate action to Long Clearing Participants. If Long Clearing Participants do not receive such securities from the relevant Short Clearing Participants, Long Clearing Participants will have to pursue claims against the relevant counterparty Short Clearing Participants.

#### **11.9.11 Redemption of Debt Securities**

In relation to redemption applying to all relevant eligible Debt Securities holders, the Short Clearing Participants are obliged to deliver to the relevant counterparty Long Clearing Participants cheques for the relevant amounts representing the principal and interest due to such Long Clearing Participants on or before the relevant payment date.

HKSCC will not be responsible for paying Long Clearing Participants the principal and interest payments accruing to their unsettled stock positions under the Isolated Trades System. If Long Clearing Participants do not receive such entitlements from the relevant counterparty Short Clearing Participants, Long Clearing Participants will have to pursue claims against the relevant counterparty Short Clearing Participants.

In relation to redemption which requires the input of redemption instructions by Participants, the following procedures will normally apply:

- (i) Long Clearing Participants wishing to redeem Debt Securities for principal and accrued interest through CCASS in respect of their unsettled stock position under the Isolated Trades System in the Debt Securities must complete and return the Debt Securities Redemption Request Form - IT Positions (see CCASS Terminal User Guide for Participants for the form) and Declaration Form to HKSCC by 2:00 p.m. on the Business Day before the last day for redemption of the Debt Securities or such other means and time as may be specified by HKSCC. This will be dealt with by HKSCC in the normal way (see Section 8.17);

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- (ii) if the Long Clearing Participants fail to receive any of the Debt Securities or only receive part of the Debt Securities from their counterparty Short Clearing Participants before the last day for redemption (or by the first Batch-settlement-run on the last redemption day if the last redemption day falls on the second settlement day following the last trading day of the Debt Securities), HKSCC will not process the redemption request of the Long Clearing Participants or will only process partial redemption based on the quantity of Debt Securities received by the Long Clearing Participants.

In such case, the Long Clearing Participants will have to pursue their counterparty Short Clearing Participants for the principal and accrued interest unable to be redeemed by HKSCC on their behalf. The following procedures will normally apply:

- (i) Long Clearing Participants wishing to redeem for principal and accrued interest under the Debt Securities will have to inform the relevant counterparty Short Clearing Participants in writing of their election to redeem principal and interest under the Debt Securities not later than 12:00 noon on the last day of redemption of the Debt Securities or such other times as may be specified by HKSCC (or the last day to participate in corporate action affecting the Debt Securities, as the case may be) provided that, if the last day of redemption falls on a Saturday, the Long Clearing Participants will have to inform the counterparty Short Clearing Participants of their election not later than 12:00 noon on the Business Day before the last day of redemption or such other time as may be specified by HKSCC;
- (ii) based on the election of Long Clearing Participants, the relevant counterparty Short Clearing Participants will have to deliver to the Long Clearing Participants on or before the date of distribution of cash entitlements under the Debt Securities, the relevant amount of principal and accrued interest the Long Clearing Participants wish to redeem (up to the amount capable of being redeemed for in respect of the relevant unsettled stock positions under the Isolated Trades System); and
- (iii) concurrently against receipt from the Short Clearing Participants of cash entitlements under the Debt Securities, the relevant counterparty Long Clearing Participants will have to deliver to the Short Clearing Participants cheques for the purchase price in respect of the relevant unsettled stock positions under the Isolated Trades System. The two counterparty Clearing Participants will then have to apply jointly to HKSCC by submitting an Application for cancellation of Settlement Position (see CCASS Terminal User Guide for Participants for the form) to cancel the stock position in respect of such Isolated Trades.

HKSCC will not be responsible to deliver cash entitlements to Long Clearing Participants. If Long Clearing Participants do not receive such cash entitlements from the relevant Short Clearing Participants, Long Clearing Participants will have to pursue claims against the relevant counterparty Short Clearing Participants.

#### **11.10 LATE DELIVERY : ACCRUED INTEREST OF INTEREST BEARING DEBT SECURITIES**

In case of a Short Clearing Participant cannot deliver the Debt Securities on the due settlement day of the Exchange Trade in such Eligible Securities, the accrued interest amount of that Exchange Trade concerned will remain unchanged even if the Debt Securities involved are settled at a later day.



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## Section 12

### Non-Exchange Trades – SI Transactions, Clearing Agency Transactions, ISI Transactions, Transfer Instructions and Non-Trade Transfers in China Connect Securities

#### 12.1 SI TRANSACTIONS (BETWEEN PARTICIPANTS OTHER THAN INVESTOR PARTICIPANTS)

##### 12.1.1 Details of SI Transactions

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

For convenience, such transactions are referred to as "SI Transactions".

SI Transactions can include broker-custodian transactions, stock borrowing/lending transactions, stock pledging transactions and portfolio movements of Eligible Securities in CCASS.

##### 12.1.2 Input SIs

###### (i) Details of SIs

The data input fields of an SI are:

- (a) Instruction type (D - deliver, or R - receive);
- (b) Counterparty code;
- (c) Settlement date (this must be a Settlement Day);
- (d) ISIN and/or Stock code;
- (e) Quantity of Eligible Securities;
- (f) Stock settlement account;
- (g) Payment instruction (DVP - Delivery versus payment, or FOP - free of payment, or RDP - Realtime Delivery versus Payment);
- (h) Money value (if DVP/RDP);
- (ha) Settlement currency
- (i) Client account number;

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- (j) Client name;
  - (k) Purpose of SI (C - broker-custodian transaction, L - new stock borrowing/lending, P - stock pledging, M - portfolio movement, R - return/recall of stock borrowing/lending transaction);
  - (l) DI required to initiate settlement (Y - yes or N - no);
  - (m) Internal transaction reference;
  - (n) SI linkage reference;
  - (o) Remarks;
  - (p) Hold Matched SI required to hold settlement of a matched SI (Y – yes or N – no); and
  - (q) Processing reference.

Items (a) to (e), item (g), item (h) and, insofar as portfolio movement transactions are concerned, item (i) are mandatory input and matching fields.

In relation to item (f), Participants may input the delivering or receiving Stock Account for settlement of a SI. If item (f) is not input by the delivering or receiving Participant, the Stock Clearing Account of the Participant will be used to make or take delivery of Eligible Securities for the purpose of settlement of the SI Transaction. If a TSF CCASS Participant inputs a TSF Account for item (f), notwithstanding the fact that the SI may be matched in accordance with Section 12.1.3, settlement of the SI Transaction will only take effect if the counterparty of the related SI has also input a TSF Account for item (f).

In relation to item (h), Participants may elect to accept a predefined tolerance limit determined by HKSCC whereupon two related SIs inputted with different money values but within the tolerance limit may still be matched by CCASS.

Item (ha) is a matching field. If a Participant does not elect an Eligible Currency as the settlement currency for item (ha), the settlement currency for matching will be the currency for trading of the relevant Eligible Security on the Exchange.

Insofar as broker-custodian transactions are concerned, item (i) is a matching field if both delivering and receiving Participants have inputted a client account number. Insofar as portfolio movement transactions are concerned, item (i) is a mandatory input and matching field.

For SIs to effect stock borrowing or lending transactions or return or redelivery of borrowed securities, Participants may input the relevant information into item (k) which is not a mandatory input and matching field.

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In relation to item (l), unless the delivering Participant selects otherwise, the input of a DI by the delivering Participant will not be required (i.e. the SI Transaction will be included in the next Batch-settlement-run).

Item (n) is not a mandatory input and matching field. A Participant wishing to apply the on-hold mechanism to the Eligible Securities received upon the settlement of a SI Transaction for the specific purpose of settling the obligation to deliver under another SI Transaction (with identical details in respect of stock code, settlement date and stock settlement account) to which the Participant is the delivering party is required to assign an identical SI linkage reference to both SIs when the Participant inputs the instructions into CCASS.

In relation to item (p), unless the Participant selects otherwise, settlement of the SI Transaction will not be put on hold after successful matching (i.e. the SI Transaction will be included in the next Batch-settlement-run or settled by the input of a DI by the delivering Participant after successful matching).

Participants have to include details of the mandatory input and matching fields in an SI. Otherwise, an SI will not be accepted for input into CCASS by HKSCC. HKSCC reserves the right to impose other requirements for SIs from time to time.

For internal record-keeping purposes, a Participant may incorporate additional information into SIs by using the relevant input fields.

**(ii) SI Input Number**

Each SI input into CCASS by a Participant will be assigned a unique number by HKSCC for ease of identification. This number, referred to as the SI Input Number, should be used by the Participant in relation to further instructions or communication with HKSCC in relation to the SI in question.

**(iii) SI batch file transfer**

HKSCC also offers an SI batch file transfer service to Participants (see Section 12.1.9 for further details).

**12.1.2A Use of Synapse to Input SIs**

Other than inputting SIs into CCASS using CCASS Terminals, Participants accepted by HKSCC as Synapse Users may input SIs into CCASS through Synapse.

The use of Synapse by a Participant shall be subject to the Synapse Terms and Conditions, the Synapse User Guide and such other requirements as HKSCC may from time to time prescribe.

**12.1.3 Matching of SIs**

SIs input into CCASS and, if required, authorised by Participants will be subject to matching.

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

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

The exact time of matching of the two SIs of an SI Transaction will be recorded in the system. The settlement processing priority of SI Transactions under the Batch-settlement-run is set out in Section 13.3.4.

After successful matching, a unique reference number, the Settlement Position Number, is assigned to the relevant SI Transaction for ease of identification.

#### **12.1.4 Purging of SIs**

Matched SIs, matched on-hold SIs, unmatched SIs and pending SIs may from time to time be purged from CCASS by HKSCC. The purging of SIs is initiated by HKSCC and not by the Participants.

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

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

#### **12.1.5 SI Functions Available for Use**

Various SI functions are available for use by Participants through their CCASS Terminals and Participant Gateways. To access the relevant SI, a Participant will need to key into its CCASS Terminal or Participant Gateway the SI Input Number of such SI.

At any time before matching, all data input fields of an SI may be changed by a Participant through the "Change SI" function (either using a CCASS Terminal or via Synapse). Once matched, the only input data of an SI which can be changed are the DI requirement field (see item (l) of Section 12.1.2(i)) through the "Change DI Requirement" function (see further Section 13.2.3), the Hold Matched SI requirement field (see item (p) of Section 12.1.2(i)) through the "Change Hold Matched SI" function and certain non-matching input fields, namely, the stock settlement account, client name, internal transaction reference, SI linkage reference, remarks and Processing reference fields (see items (f), (j), (m), (n), (o) and (q) of Section 12.1.2(i)) through the "Change Matched/Settled SI" function.

At any time before a matched SI is settled, either the delivering or the receiving Participant

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may revoke the SI with matched or matched on-hold status through the “Revoke Matched SI” function (either using a CCASS Terminal or via Synapse). In the case of a SI Transaction which is to be settled on a RDP basis, where Eligible Securities have been put on hold in the delivering Participant’s Stock Account (i.e. the SI Transaction status is “Shares On-hold”), only the receiving Participant is allowed to revoke the SI, and where the SI Transaction status has been updated to “Payment Validated”, neither the delivering nor the receiving Participant is allowed to revoke the SI.

Participants should refer to the CCASS Terminal User Guide for further information on the SI functions available for use by Participants.

### **12.1.6 Settlement of SI Transactions**

#### **(i) Trade-for-trade basis**

Settlement of SI Transactions in CCASS is effected on a trade-for-trade basis, directly between the Participants concerned.

#### **(ii) Batch-settlement-runs**

Unless specifically excluded from Batch-settlement-runs by the delivering Participant specifying that the input of a DI is necessary or by either or both of the delivering and receiving Participants specifying that settlement shall be put on hold (see Section 12.1.2(i)), SI Transactions will be included in the multiple Batch-settlement-runs effected on each Settlement Day. In the case of settlement on a DVP basis, relevant Eligible Securities in the relevant Stock Account of the delivering Participant (see item (f) of Section 12.1.2(i)) will be automatically debited and then credited to the relevant Stock Account of the receiving Participant (see item (f) of Section 12.1.2(i)). In the case of settlement on a RDP basis, relevant Eligible Securities in the relevant Stock Account of the delivering Participant will be put on-hold and, subject to receipt of confirmation of payment of such transactions from the Clearing House of HKAB, automatically debited from the delivering Participant’s Stock Account and credited to the relevant Stock Account of the receiving Participant.

#### **(iii) Delivery Instructions**

A delivering Participant can also initiate settlement of an SI Transaction on or after its due date by the input of a DI.

If an SI Transaction is specified by the delivering Participant to be excluded from Batch-settlement-runs at the time of input of the relevant SI through the DI requirement field or subsequently through the use of the “Change DI Requirement” function, the delivering Participant will have to input a DI to effect settlement of such SI Transaction in CCASS. Where the settlement of such SI Transaction is also specified by either or both of the delivering and receiving Participants to be put on-hold through the Hold Matched SI requirement field, the delivering Participant will have to input a DI to effect settlement of the SI Transaction in CCASS after the matched on-hold status has been released by the initiating party or parties, as the case may be.

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In the case of an SI Transaction to be settled in CCASS on a RDP basis by a DI, available shares in the relevant Stock Account of the delivering Participant will be put on-hold and settlement will be effected by CCASS upon receipt of confirmation of payment of such transaction from the Clearing House of HKAB.

**(iv) On-line delivery**

If an SI Transaction is to be settled in CCASS on RDP basis, on-line immediate delivery of Eligible Securities will be effected by CCASS upon receipt of confirmation of payment of such transaction from the Clearing House of HKAB.

**(v) No partial delivery**

Partial delivery in respect of an SI Transaction will not be allowed in CCASS.

**(vi) China Connect Securities**

Input and matching of SIs relating to China Connect Securities will be conducted at stated times in CCASS on each Business Day in accordance with Section 6.2.2. SI Transactions in China Connect Securities inputted into CCASS on a Business Day will be settled in the Batch-settlement-runs or by the use of DI.

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

- (a) Repealed
- (b) Repealed
- (c) SIs which involve the delivery by a China Connect Clearing Participant of a China Connect Security from its Stock Accounts will only be effected in the first to fourth Batch-settlement-runs provided that such Stock Accounts are Special Segregated Accounts or that the China Connect Clearing Participant has no outstanding short stock position in such China Connect Security under the CNS System ; and
- (d) Repealed
- (e) in the event that a China Connect Clearing Participant has any short stock positions in a China Connect Security under the CNS System which are outstanding for settlement on the due date after the fourth Batch-settlement-run, SIs which involve the delivery by the China Connect Clearing Participant of such China Connect Security from its Stock Accounts will only be effected under the following circumstances:
  - (i) where the overdue short positions are solely due to the failure of the China Connect Clearing Participant to transfer such China Connect Securities to its Stock Clearing Account for CNS settlement, but the China Connect Clearing Participant has since transferred sufficient quantity of China Connect Securities to its Stock Clearing Account; or

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- (ii) where the overdue short positions are solely due to an SPSA Delivery Failure and a request for adjustment has been submitted to HKSCC in accordance with Section 2.3.15; or
  - (iii) where the overdue short positions are partly due to an SPSA Delivery Failure and partly due to the failure of the China Connect Clearing Participant to transfer such China Connect Securities to its Stock Clearing Account for CNS settlement, and (i) in respect of the SPSA Delivery Failure, a request for adjustment has been submitted to HKSCC in accordance with Section 2.3.15 and (ii) in respect of the overdue short position which are not due to SPSA Delivery Failure, the China Connect Clearing Participant has since transferred sufficient quantity of China Connect Securities to its Stock Clearing Account.

Each Participant using Synapse to input SIs in respect of an SI Transaction which involves the delivery of China Connect Securities for the onward settlement of a China Connect Securities Trade under the CNS System must have contingency measures and backup processes in place to ensure the timely input of SIs into CCASS in respect of any such SI Transaction in case there is any unavailability, disruption, suspension, or delay in the operation of Synapse.

#### **12.1.7 Money Settlement for SI Transactions**

The two Participants to an SI Transaction will have to state in their SIs whether settlement of the SI Transaction is to be on a RDP, DVP or FOP basis.

If settlement is to be on a RDP or DVP basis, the money value of the SI Transaction should also be included in their SIs. Both stock delivering and stock receiving Participants must maintain a Designated Bank Account in the relevant Eligible Currency for money settlement purposes.

Input data concerning (i) whether the SI Transaction is to be on a RDP, DVP or FOP basis, and (ii) the money value (if on a RDP or DVP basis) are mandatory and matching fields of SIs.

For SI Transactions relating to Eligible Securities other than China Connect Securities to be settled in CCASS on a DVP basis, upon settlement in CCASS, HKSCC will issue EPIs in the normal way to the Designated Banks of the Participants concerned to effect payment between them. HKSCC's role is merely as a facilitator. The Settlement Reports of the Participants will show the relevant entries and details of the relevant EPIs.

For SI Transactions relating to China Connect Securities to be settled on a DVP basis, upon settlement in CCASS, HKSCC will issue EPIs in the normal way to the Designated Banks of the Participants concerned to effect payment between them for value on the same day. In respect of EPIs generated in RMB, Designated Banks which provide Night Settlement services are required to issue payment confirmation by no later than 9:20 p.m. on the same day in respect of each EPIs where the paying or receiving Designated Bank provides Night Settlement services. In respect of other EPIs generated in other Eligible Currencies or in

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RMB but not included in same day Night Settlement, Designated Banks are required to issue payment confirmation by no later than 9:30 a.m. on the following Business Day. HKSCC's role is merely as a facilitator. The Settlement Reports of the Participants will show the relevant entries and details of the relevant EPIs.

For SI Transactions to be settled in CCASS on a RDP basis, upon the Eligible Securities being put on-hold in the delivering Participant's Stock Account, HKSCC will issue CPIs to the Designated Banks of the Paying Participants to effect payment. HKSCC's role is merely as a facilitator. The Settlement Reports of the Participants will show the relevant entries and details of the relevant payments.

### **12.1.8 Relevant CCASS Reports**

#### **(i) Reports available**

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

- (a) the SI Activity Report;
- (b) the SI Status Report;
- (c) the Intra-day ISI/SI Full List; and
- (d) the Unmatched SI Report.

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

#### **(ii) SI Activity Report**

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

#### **(iii) SI Status Report**

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

#### **(iv) Intra-day ISI/SI Full List**

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



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

**(v) Unmatched SI Report**

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

**12.1.9 SI Batch File Transfer Service**

**(i) Details of service**

The use of the SI batch file transfer service by a Participant will avoid the need for it to manually key in SIs into CCASS on each occasion. Instead, a Participant using this service will be able to transfer to HKSCC a "file" containing details of SIs already recorded in its own computer system.

**(ii) Technical procedural requirements**

Participants using this service have to develop their own computer software to prepare a batch file containing SIs in their own computer systems, according to the file format and record layout stipulated by HKSCC from time to time.

For procedural requirements, please refer to the CCASS Terminal User Guide.

**(iii) Hours of service**

The SI batch file transfer service is available for use on each Business Day between the hours of 7:15 a.m. and 7:30 p.m.

**12.1.10 HKSCC not Responsible for SI Transactions**

HKSCC are not responsible for any default by Participants in respect of SI Transactions. Participants themselves will have to pursue counterparty Participants in default.

**12.1.11 Adjustments of Entitlements for Late Deliveries**

In case of late deliveries in respect of SI Transactions, where adjustments of benefits entitlements accruing to Eligible Securities have to be made, Participants will themselves have to pursue counterparty Participants in default. No adjustment facilities will be offered by HKSCC.

**12.2 CLEARING AGENCY TRANSACTIONS**

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**12.2.1 Details of Clearing Agency Transactions**

Clearing Agency Transactions are transactions between Participants and in the case of GCPs, including their NCPs and a Clearing Agency Participant. Arrangements have been made by HKSCC for details of Clearing Agency Transactions to be reported to it by the Clearing Agency Participant on each Business Day. Participants do not need to separately input details of Clearing Agency Transactions into CCASS. However, HKSCC reserves the right to require Participants concerned to provide details of Clearing Agency Transactions to it.

The details of Clearing Agency Transactions shall be reported to HKSCC by the Clearing Agency Participant at such time on each Business Day as agreed between HKSCC and the Clearing Agency Participant.

Clearing Agency Transactions will be settled in CCASS under the CNS System unless they are isolated from the CNS System by the Clearing Agency Participant or unless they are isolated from the CNS System by HKSCC. For risk management reasons or where other circumstances warrant, the Clearing Agency Transactions will sometimes be settled under the Isolated Trades System.

**12.2.2 Confirmation of acceptance under the CNS System or the Isolated Trades System**

The second batch of PCSs issued by HKSCC to Clearing Agency Participants and any other Participant which is a party to a Clearing Agency Transaction at or about 8:00 p.m. will contain, inter alia, details of all Clearing Agency Transactions of that day. Acceptance by HKSCC of a Clearing Agency Transaction for settlement in CCASS under the CNS System will occur when HKSCC is satisfied that such Clearing Agency Transaction is valid and payments in respect of all daily money settlement instructions given by HKSCC and the Clearing Agency Participant have been effected on the Business Day following the day of the transaction. Final confirmation of acceptance of a Clearing Agency Transaction under the CNS System or the Isolated Trades System will occur when details of the Clearing Agency Transaction are contained in the FCSs issued by HKSCC to the Clearing Agency Participant and any other Participant which is a party to the Clearing Agency Transaction at or about 2:00 p.m. on the Business Day following the day of the transaction.

For settlement purpose, the Clearing Agency Transactions are subject to the process of netting if they are settled under the CNS System or denoted as Isolated Trades if they are settled under the Isolated Trades System. Such information is shown in the second batch of PCSs, the FCSs and other relevant CCASS reports (such as the Settled Position Reports, Settlement Reports, Next Settlement Day Due/Overdue Position Reports). Clearing Agency Transactions settled under the Isolated Trades System are easily identified as one of the counterparties will always be a Clearing Agency Participant.

For Clearing Agency Transactions settled under the CNS System, they will go through the processes of substitution (where applicable), novation, daily netting and cross-day netting (in the manner described in Section 10.3) together with those Exchange Trades settled under the CNS System so that one CNS short or long position will be arrived on each Settlement Day for each Eligible Security, i.e., a net long or net short stock position for each Eligible

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Security. Such net long or net short stock position in each Eligible Security will be assigned a unique Settlement Position Number. Each Clearing Agency Transaction to be settled under the Isolated Trades System will be assigned a unique Settlement Position Number for reference purpose. The Settlement Position Numbers of the Clearing Agency Transactions will be set out in the FCSs.

Hard copies of PCSs and FCSs can be obtained by Clearing Agency Participants and any other Participant which is a party to a Clearing Agency Transaction via their CCASS Terminals or Participant Gateways.

### **12.2.3 HKSCC's guarantee for Clearing Agency Transactions**

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

In respect of Clearing Agency Transactions settled under the Isolated Trades System, HKSCC is not responsible for any default by the relevant Participants and the relevant Participant will have to pursue its counterparty Participant in default of the Clearing Agency Transactions settled under the Isolated Trades System.

### **12.2.4 Settlement of Clearing Agency Transactions**

Where the Clearing Agency Transactions are settled under the CNS System, the settlement process for Exchange Trades (see Section 10.4) shall apply to both HKSCC and the Participants which are parties to the Clearing Agency Transactions.

Settlement of Clearing Agency Transactions in CCASS under the Isolated Trades System is effected on a trade-for-trade basis, directly between the Participant and the Clearing Agency Participant concerned.

In respect of Clearing Agency Transactions to be settled under the Isolated Trades System, settlement of such Clearing Agency Transactions can be effected either under the Batch-settlement-runs conducted on each Settlement Day by HKSCC or by the delivering Participants initiating settlement on or after the due dates of the Clearing Agency Transactions by the input of DIs.

Clearing Agency Transactions to be settled under the Isolated Trades System will be included in Batch-settlement-runs unless at any time before settlement, the delivering Participants make use of the "Change DI Requirement" function available through their CCASS Terminals or Participant Gateways to specify that DIs must be input by them to effect settlement.

No partial delivery is allowed for such Clearing Agency Transactions except where delivery is on an FOP basis.

### **12.2.5 Example (settlement of Clearing Agency Transactions)**

- (i) **Settlement of Clearing Agency Transactions under the CNS System**  
Where the Clearing Agency Transactions are accepted for settlement under the CNS System, they will go through the same processes as Exchange Trades settled under the CNS System. Please refer to section 10.3 for details relating to the process of netting for novation, daily netting and cross-day netting of Clearing Agency Transactions.
- (ii) **Settlement of Clearing Agency Transactions under the Isolated Trades System**  
On due settlement day Clearing Agency Participant would like to settle the first Clearing Agency Transaction (TRN: 00000001) using stock X available in its Stock Clearing Account.

For the second Clearing Agency Transaction (TRN: 00000002), the Clearing Agency Participant has only 6,000 stock Y available in its Stock Segregated Account 05. It agrees with Participant B to deliver the 6,000 stock Y for partial settlement upon receipt of payment from Participant B. (Partial delivery is only allowed for Clearing Agency Transactions settled on a FOP basis.)

Clearing Agency Participant inputs the following DIs to effect settlement in CCASS :

<b>TRN</b>	<b>Payment Instruction</b>	<b>Delivering Stock Account</b>	<b>Stock</b>	<b>Delivering Quantity</b>
00000001	DVP	Clearing A/C 01	X	5,000
00000002	FOP	Segregated A/C 05	Y	6,000

### 12.2.6 Money Settlement for Clearing Agency Transactions

- (i) **Settlement under CNS System**

Where the Clearing Agency Transactions are settled under the CNS System, they will be subject to the process of netting with those Exchange Trades settled under the CNS System. After daily netting and cross-day netting, one CNS long or short position for each Eligible Security will be created on each Settlement Day for settlement under the DVP basis.

Where the Clearing Agency Transactions are settled under the CNS system, the money settlement process applied to Exchange Trades (set out in Section 10.5) applies to the aggregate CNS long or short position (positions arrived by the process of netting of Exchange Trades and the Clearing Agency Transactions to be settled under the CNS System). Money settlement between HKSCC and the Participants concerned will be effected accordingly.

- (ii) **Settlement under Isolated Trades System**

Settlement of Clearing Agency Transactions under a Batch-settlement-run can be effected either on a DVP basis or on an FOP basis. Where a Clearing Agency Transaction has been partially settled by a DI on an FOP basis, settlement of the

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remainder of the Clearing Agency Transaction will also be effected on a FOP basis if included in a Batch-settlement-run.

In relation to Clearing Agency Transactions settled by DIs, the delivering Participants may specify in their DIs whether delivery is to be made on a DVP basis or FOP basis.

Upon settlement of a Clearing Agency Transaction in CCASS on a DVP basis, HKSCC will issue EPIs for the relevant amount (based on details of the Clearing Agency Transaction reported to HKSCC) to the Designated Banks of the Participant and Clearing Agency Participant concerned to effect payment for value on the same day. The Settlement Reports of the Participant and Clearing Agency Participant will show the relevant entries and details of the relevant EPIs.

Participants and the Clearing Agency Participants will have to monitor confirmation of good payment in relation to Clearing Agency Transactions to be settled on a DVP basis in CCASS.

#### **12.2.7 Late Delivery**

Since the Clearing Agency Transactions accepted for settlement in CCASS under the CNS System will go through the same processes of substitution (where applicable), novation, netting and cross-day netting together with Exchange Trades to arrive at a CNS long or short position for each Eligible Security on each Settlement Day, the measures stated in Sections 10.6, 10.7 and 10.8 will apply to such outstanding CNS position.

For those Clearing Agency Transactions stipulated to be settled under Isolated Trades System, the following measures will apply:

**(i) Default Fee**

HKSCC may require Participants that fail to settle their Clearing Agency Transactions on the due dates to pay to it default fees. Default fees levied by HKSCC may be retained by HKSCC for use for CCASS purposes.

**(ii) Stock Borrowing**

In relation to Clearing Agency Transactions which are not settled by Participants on the due dates, HKSCC may direct the defaulting Participants to effect a stock borrowing of the relevant Eligible Securities or HKSCC may itself effect a stock borrowing on their behalf.

HKSCC does not intend to exercise this right at present but reserves the right to do so.

**(iii) Buy-in**

**(a) Purpose**

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

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Under the Rules, HKSCC may (i) direct a defaulting Participant to effect a Buy-in or (ii) HKSCC may itself effect a Buy-in on behalf of the defaulting Participant and for such purpose, may on behalf of that Participant direct other Participants to assist.

For convenience, Participants due to receive securities under outstanding unsettled Clearing Agency Transactions are referred to in this Section as "Long Participants". Participants due to deliver securities under outstanding unsettled Clearing Agency Transactions are referred to in this Section as "Short Participants".

**(b) Timing of Buy-in**

All stock positions of a Short Participant of Clearing Agency Transactions which are outstanding for settlement after the due date may be subject to a Buy-in.

**(c) Complaint driven**

In general, HKSCC will only require a Buy-in in respect of late delivery under the Isolated Trades System if HKSCC receives a complaint from the Long Participant.

A Long Participant wishing to make a complaint to HKSCC must complete and return a "Buy-in Request Form (Isolated Trades)" (see CCASS Terminal User Guide for Participants for the form) to HKSCC. HKSCC may require the Long Participant to provide further information to substantiate its complaint.

**(d) Buy-in process by a Short Participant as directed by HKSCC**

The following explains the usual process of a Buy-in by a Short Participant in greater detail:

- (i) after HKSCC is satisfied that a complaint by a Long Participant is substantiated and that a Buy-in is appropriate, a Buy-in request will be issued by HKSCC to the Short Participant;
- (ii) unless otherwise waived by HKSCC, a Participant notified of a Buy-in request by HKSCC, will normally be required to complete the Buy-in trade on the Exchange by 11:00 am on the day of issue of such Buy-in request (or within such other time limit, if any, stipulated by HKSCC);
- (iii) the Short Participant effecting or arranging a Buy-in will have to inform HKSCC via the Exchange (in the prescribed manner) immediately upon the conclusion of the trade on the Exchange of the details of the Buy-in, including the identity of the counterparty (see CCASS Terminal User Guide for Participants for the form ); and
- (iv) with the assistance of the Exchange, HKSCC will monitor the execution

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of the Buy-in trades by or arranged by Short Participants and may telephone the relevant Participants to remind them to effect or arrange Buy-in trades.

**(e) Buy-in process by HKSCC on behalf of a Participant**

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

- (i) HKSCC will usually inform the Short Participant of its decision to effect or to arrange a Buy-in but reserves the right not to do so;
- (ii) HKSCC may on behalf of that Short Participant instruct its authorized brokers to assist in effecting a Buy-in on the Exchange (noting that, unless otherwise agreed in writing by HKSCC, an authorized broker assisting HKSCC will only have recourse against the relevant Short Participants, and not HKSCC);
- (iii) HKSCC shall effect a Buy-in 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, the Exchange, and recognized exchange controller which is the controller of HKSCC shall have no liability if HKSCC acts in good faith); and
- (iv) after effecting such a Buy-in HKSCC will inform the Short Participant of the details of the Buy-in.

**(f) Buy-in to be effected under the Isolated Trades System**

All Buy-ins in respect of outstanding Clearing Agency Transactions will be effected under the Isolated Trades System and the selling counterparty Exchange Participant to a Buy-in will have to be so informed by the Short Participant directed by HKSCC to effect a Buy-in or informed by HKSCC (via the Participant acting on HKSCC's behalf where HKSCC itself effects a Buy-in on behalf of a Participant).

The selling counterparty Exchange Participant to a Buy-in will then identify the Buy-in trade as one to be settled under the Isolated Trades System by keying in "B" in the "reference field" on the trading terminal of the Exchange.

Where relevant, the selling counterparty Exchange Participant to a Buy-in will also be informed by the Short Clearing Participant or HKSCC, as the case may be, that the Buy-in is to have a different settlement period than the normal settlement period of T+2.

If the selling counterparty Exchange Participant (or where applicable, its GCP) to a Buy-in fails to settle on the due date, it will normally be subject to a further Buy-in to be effected under the Isolated Trades System on the trading day following the due date.

**(g) Waiver**

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A Participant may apply to HKSCC for a waiver by completing an Application for Exemption of Buy-in Form (see CCASS Terminal User Guide for Participants for the form), HKSCC will normally only grant a waiver if the Isolated Trade (including a Clearing Agency Transaction) in question has been settled.

HKSCC may also grant a waiver of a Buy-in if the relevant Long Participant wishes to withdraw a complaint (provided that such withdrawal is accepted by HKSCC). A Long Participant wishing to withdraw a complaint may apply to HKSCC by completing a "Withdrawal of Buy-in Request Form (Isolated Trades)" (see CCASS Terminal User Guide for Participants for the form).

### **12.2.8 Adjustments of Entitlements for Late Deliveries**

Since Clearing Agency Transactions accepted for settlement in CCASS under the CNS System will go through the same processes of novation, netting and cross-day netting together with Exchange Trades to arrive at a CNS long or short position for each Eligible Security on each Settlement Day, the measures stated in Section 10.9 in relation to adjustments for entitlements will apply to such outstanding CNS position.

In case of late deliveries of Eligible Securities by the delivering Participant under a Clearing Agency Transaction, adjustments of benefit entitlements accruing to such Eligible Securities may have to be made. The receiving Participant will have to pursue the counterparty delivering Participant for such benefit entitlements. No adjustment facilities will be offered by HKSCC, except in relation to sub-divisions, consolidations and stock conversions affecting Eligible Securities.

### **12.2.9 Risk Management**

#### **(i) Marks and Margin**

As settlement counterparty to Participants under Market Contracts due for settlement under the CNS System, HKSCC would be exposed to market risks as a result of unfavourable fluctuations or potential unfavourable fluctuations of prices in respect of the unsettled stock positions of Participants under the CNS System.

To monitor and control such risk exposure, HKSCC will Mark-to-market and compute Margin on the unsettled stock positions under the CNS System and collect Marks and Margin from Participants who are parties to Market Contracts. HKSCC will also Mark-to-market and compute Margin on the unsettled stock positions of Participants in respect of Clearing Agency Transactions to be settled under the CNS System, and collect Marks and Margin from Participants who are parties to the Clearing Agency Transactions.

From time to time, circumstances may warrant HKSCC taking additional risk management measures against a Participant.

In respect of Clearing Agency Transactions reported to HKSCC by a Clearing Agency Participant on a Business Day, HKSCC will calculate Marks and Margin in respect of the unsettled stock positions of the Clearing Agency Transactions to be settled under the CNS System, and collect the required Marks and Margin from Participants which



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are parties to the Clearing Agency Transactions, notwithstanding that the Clearing Agency Transactions have not been accepted by HKSCC for settlement in CCASS under the CNS System. HKSCC will collect the required Marks and Margin from the Participants by issuing DDIs to the Designated Banks of the Participants as part of the CCASS money settlement process, unless otherwise specified below.

HKSCC will not collect the required Marks and Margin in respect of Clearing Agency Transactions to be settled under the CNS System and to which a Clearing Participant is a party from the Clearing Participant direct if the Clearing Participant, in its capacity as a SEOCH Participant, has effected and maintained with the Clearing Agency Participant an arrangement for the Clearing Agency Participant to collect from the Clearing Participant and pay to HKSCC the required Marks and Margin. The Clearing Participant, in its capacity as a SEOCH Participant, shall pay the amount of such required Marks and Margin in cash to the Clearing Agency Participant. The Clearing Agency Participant shall transfer such cash amount to HKSCC on the Business Day following the day on which the Clearing Agency Transactions are reported to HKSCC, at such time and in such manner as HKSCC and the Clearing Participant may agree. HKSCC will record the cash amount received by it from the Clearing Agency Participant as credit entries in the CCMS House Collateral Account of the Clearing Participant, and the cash amount will be treated as Contract Currency Collateral of the corresponding Clearing Participant.

(For further details, reference should also be made to Sections 10.10, 10.10A and 10.11 which shall also apply to Clearing Agency Transactions for settlement under the CNS System.)

(ii) Collateral

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

In appropriate cases, HKSCC will require a Participant to provide it with Collateral in the form of cash or Collateral Securities, subject to the Rules.

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

(For further details, reference should also be made to Section 10.11 which shall also apply to Clearing Agency Transactions settled under the CNS System.)

(iii) Securities-on-hold

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

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

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time of delivery of Eligible Securities under the CNS System in CCASS to the time when confirmation of good and irrevocable payment is issued by the Designated Banks of Participants and the receiving bank of HKSCC.

To guard against this risk exposure, the Rules provide that until such time as HKSCC is satisfied that (i) it has received payment in full in respect of Eligible Securities delivered by HKSCC to a Clearing Participant or a Clearing Agency Participant (in each case, as a party to a Clearing Agency Transaction under the CNS System) on a Settlement Day; and (ii) such payment is good and irrevocable, or unless otherwise agreed by HKSCC, title and property in such Eligible Securities shall not pass to such Clearing Participant or Clearing Agency Participant, as the case may be. Until then, Clearing Participants and Clearing Agency Participants who are parties to Clearing Agency Transactions will not be allowed to use or withdraw some or all of such Eligible Securities, except as permitted by HKSCC.

The quantity of Eligible Securities allocated to the Stock Clearing Account of a Clearing Participant or Clearing Agency Participant which is a party to a Clearing Agency Transaction under the CNS System on a Settlement Day, which will not be permitted to be used or withdrawn by the Participant will depend on the amount to be paid by the Participant to HKSCC under the CNS System on such Settlement Day.

If a Clearing Participant or Clearing Agency Participant which is a party to a Clearing Agency Transaction wishes to make use of any of such Eligible Securities allocated to its Stock Clearing Account before payment of the amount due to HKSCC is confirmed good and irrevocable, HKSCC may permit such use of any such Eligible Securities provided the value of such allocated Eligible Securities which will remain in the Stock Clearing Account of the Clearing Participant or Clearing Agency Participant which is a party to a Clearing Agency Transaction (determined by using the Mark-to-market values of the relevant Eligible Securities at the time), discounted by a percentage to be decided by HKSCC (normally, ten per cent), shall not be less than the total amount due to HKSCC from such Clearing Participant or Clearing Agency Participant which is a party to a Clearing Agency Transaction.

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

For Clearing Participants and Clearing Agency Participants which are parties to Clearing Agency Transactions that have outstanding payment obligations to HKSCC, but wish to utilize any or all of the Securities-on-hold covering such outstanding payment obligations for any purpose, including to settle SI Transactions and Isolated Trades during the Settlement Day, they may make payment through same day available funds to HKSCC to reduce or satisfy their monetary payment obligations. As such, the equivalent discounted market value of Securities-on-hold will be released for settlement.

(For further details reference should also be made to Section 10.12, which shall also apply to Clearing Agency Transactions settled under the CNS System.)

- (iv) Eligible Securities subject to expiry

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In relation to Clearing Agency Transactions in Eligible Securities which are subject to expiry (e.g. warrants) and which are to be settled under the CNS System, the delivering Clearing Participant which is (being a party to the Clearing Agency Transaction) must ensure that when the details of Clearing Agency Transactions are reported to HKSCC by the Clearing Agency Participant for settlement under the CNS System, the relevant delivering Participant has readily available evidence showing that, on or before the due date for settlement of the transaction under the CNS System, it has or will have the required quantity of Eligible Securities in its Stock Accounts in CCASS for settlement. The delivering 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, which are subject to expiry, on the due date for settlement of the transaction under the CNS System, HKSCC may direct that Participant to immediately execute or arrange the execution of a Buy-in on the Exchange to purchase the Eligible Securities required by such Participant to settle its obligations in respect of such transaction under the CNS System.

(v) Closing-out

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

If as a result of Closing-out the Participant owes money to HKSCC, HKSCC will apply the Marks, Margin and Collateral, if applicable, provided by the Participant (as well as all other assets and property of such a Participant which may be permitted by law to be applied by HKSCC for such purpose) towards such indebtedness. For the avoidance of doubt, Marks, Margin and Collateral provided by the Participant include the Marks, Margin and Collateral collected from such Participant (in its capacity as a SEOCH Participant) by a Clearing Agency Participant and transferred by the Clearing Agency Participant to HKSCC pursuant to Sections 12.2.9(i) and 12.2.9(ii) respectively.

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

A Clearing Participant or Clearing Agency Participant declared a Defaulter may also be suspended or restricted from further activities in CCASS.

(For further details reference should also be made to Section 10.14, which shall also apply to Clearing Agency Transactions settled under the CNS System.)

## **12.3 ISI TRANSACTIONS (INVOLVING INVESTOR PARTICIPANTS)**

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

### **12.3.1 Details of ISI Transactions**

For ISI Transactions between Investor Participants and Participants other than Investor Participants to be settled in CCASS, an Investor Settlement Instruction, or ISI, containing the relevant details required by HKSCC must be input into CCASS on each occasion.

ISI Transactions can include investor-intermediary transactions, stock borrowing/lending transactions, stock pledging transactions and portfolio movements of Eligible Securities in CCASS.

Participants may maintain ISI counterparty lists in CCASS.

There are two types of ISI :

- (i) "ISI (without affirmation)" : ISI input (and authorised, if required) by Participants which meets the following criteria:
  - (a) it is a delivery instruction;
  - (b) it is set as settled on a Free of Payment (FOP) basis; and
  - (c) the receiving counterparty Participant ID is contained in the inputting Participant's ISI (without affirmation) counterparty list; and
- (ii) "ISI (with affirmation)" : ISI input (and authorised, if required) by Participants other than Investor Participants which does not meet the criteria for ISI (without affirmation) and requires affirmation by the relevant Investor Participants before the ISI is accepted by CCASS for settlement.

### **12.3.2 Input ISIs**

Input ISI by Participants other than Investor Participants may only be made via CCASS Terminals or Participant Gateways. Input ISI by Investor Participants may be made via the CCASS Phone System or the CCASS Internet System or through submitting relevant forms to HKSCC at the Customer Service Centre.

#### **(i) Details of ISIs**

The data input fields of an ISI are:

- (a) Instruction type (D - deliver, or R - receive);
- (b) Counterparty code;
- (c) Settlement date (this must be a Settlement Day);

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- (d) ISIN and/or Stock code;
  - (e) Quantity of Eligible Securities;
  - (f) Stock settlement account;
  - (g) Payment instruction (DVP - Delivery versus payment, or FOP - free of payment, or RDP - Realtime Delivery versus Payment);
  - (h) Money value (if DVP/RDP);
  - (i) Client account number;
  - (j) Client name;
  - (k) Purpose of ISI (I - Investor-Intermediary transaction, L - new stock borrowing/lending, P - stock pledging, M - portfolio movement, R - return/recall of stock borrowing/lending transaction);
  - (l) DI required to initiate settlement (Y - yes or N - no);
  - (m) DVP On hold (Y - yes or N- no);
  - (n) Internal transaction reference;
  - (o) Remarks; and
  - (p) Hold Before Settlement (Y – yes or N – no).

Items (a) to (e), (g) and (h) are mandatory input fields.

In relation to item (f), Participants may input the delivering or receiving stock account for settlement of an ISI. If item (f) is not input the Stock Clearing Accounts of the Participants inputting the ISI will be used to make or take deliveries of Eligible Securities for the purpose of settlement of the ISI Transaction.

For ISIs to effect stock borrowing or lending transactions or return or redelivery of borrowed securities, Participants may input the relevant information into item (k) which is not a mandatory input field.

In relation to item (l), unless otherwise specified, it will be assumed that the ISI Transaction need not be settled by the input of a DI by the delivering Participant (i.e. the ISI Transaction as a result of the input of ISI (without affirmation) will be included in a Batch-settlement-run or on-line delivery upon its input (and authorisation, if required) by Participants and the ISI Transaction as a result of the input of ISI (with affirmation) will be included in a Batch-settlement-run or on-line

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delivery upon its affirmation by the relevant Investor Participants).

For item (m), a delivering Participant may choose to require the Eligible Securities to be delivered to the paying Participant's Stock Account to be put on hold pending Negative Confirmation of Payment by the paying Participant's Designated Bank.

In relation to item (p), unless the Participant other than an Investor Participant selects otherwise, settlement of the ISI Transaction will not be put on hold after successful affirmation or input (and authorized, if required).

Participants inputting the ISI have to include details of the mandatory input fields in an ISI. Otherwise, an ISI will not be accepted for input into CCASS by HKSCC. HKSCC reserves the right to impose other requirements for ISIs from time to time.

For internal record-keeping purposes, a Participant may incorporate additional information into ISIs by using the relevant input fields.

In the event of a Participant inputting an ISI, the ISI will not be accepted by CCASS for input if the counterparty Participant ID is not contained in the inputting Participant's ISI (without affirmation) counterparty list or ISI (with affirmation) counterparty list maintained with CCASS, as the case may be. No such validation will be performed by CCASS if the Participant is inputting an ISI (with affirmation) and it does not maintain an ISI (with affirmation) counterparty list with CCASS.

In the event of a Participant other than an Investor Participant inputting an ISI (with affirmation) and the counterparty is a Corporate Investor Participant, CCASS will also reject the ISI (with affirmation) if the inputting Participant's ID is not contained in the Corporate Investor Participant's ISI (with affirmation) counterparty list maintained with CCASS. No such validation will be performed by CCASS if the Counterparty Corporate Investor Participant does not maintain an ISI (with affirmation) counterparty list with CCASS.

**(ii) ISI Input Number**

Each ISI input into CCASS by a Participant will be assigned a unique number by HKSCC for ease of identification. This number, referred to as the ISI Input Number, should be used by the Participant in relation to further instructions or communication with HKSCC in relation to the ISI in question.

**(iii) ISI batch file transfer**

HKSCC also offers an ISI batch file transfer service to Participants other than Investor Participants (see Section 12.3.9 for further details).

**12.3.2A ISI (without affirmation)**

After successful input of an ISI (without affirmation), a unique reference number, the Settlement Position Number, is assigned to the relevant ISI Transaction for ease of reference. If the ISI is successfully input at or before 3:45 p.m. on a Settlement Day,

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settlement of such ISI will normally be immediately effected on-line. If the ISI is successfully input after 3:45 p.m. on a Settlement Day, settlement will be effected during the Batch-settlement-runs on the next Settlement Day.

### **12.3.3 Affirmation of ISIs (with affirmation)**

ISIs (with affirmation) input into CCASS and, if required, authorised by Participants other than Investor Participants will be subject to affirmation by Investor Participants.

Affirmation of ISIs (with affirmation) in CCASS may be made by Investor Participants via the CCASS Phone System or the CCASS Internet System or through submitting relevant forms to HKSCC at the Customer Service Centre.

After successful affirmation, a unique reference number, the Settlement Position Number, is assigned to the relevant ISI Transaction for ease of identification.

After successful affirmation of an ISI at or before 3:45 p.m. on a Settlement Day, settlement of affirmed ISIs will normally be immediately effected on-line, but in the case of an ISI transaction to be settled in CCASS on a RDP basis, available shares will be put on-hold and settlement will be effected upon receipt of confirmation of payment of such ISI transaction from the Clearing House of HKAB. For ISI affirmed after 3:45 p.m. on a Settlement Day, settlement will be effected during the Batch-settlement-runs on the next Settlement Day.

In the event of a Corporate Investor Participant affirming an ISI (with affirmation), the ISI (with affirmation) will not be accepted by CCASS for affirmation if the counterparty Participant ID is not contained in the ISI (with affirmation) counterparty list maintained by that Corporate Investor Participant. No such validation will be performed by CCASS if the Corporate Investor Participant does not maintain an ISI (with affirmation) counterparty list in CCASS.

### **12.3.4 Purging of ISIs**

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

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

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

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

### **12.3.5 ISI Functions Available for Use**

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Various ISI functions are available for use by Participants other than Investor Participants through their CCASS Terminals and Participant Gateways. To access the relevant ISI, a Participant will need to key into its CCASS Terminal or Participant Gateway the ISI Input Number of such ISI.

All data input fields of an ISI can be changed by a Participant other than an Investor Participant through the “Change ISI” function if the status of the ISI has not yet been updated to “pending for settlement”. After an ISI is updated to “pending for settlement” status, the only input data of an ISI which can be changed are the DI requirement field (see item (l) of Section 12.3.2 (i)) through the “Change DI Requirement” function (see further Section 13.2.3) and the Hold Before Settlement field (see item (p) of Section 12.3.2 (i)) through the “Hold/Release ISI” function.

Participants should refer to the CCASS Terminal User Guide for Participant for further information on the ISI functions available for use by Participants other than Investor Participants.

Some ISI functions are available for use by Investor Participants via the CCASS Phone System or the CCASS Internet System. Investor Participants should refer to the Operating Guide for Investor Participants for further information on the ISI functions available for use by Investor Participants.

### **12.3.6 Settlement of ISI Transactions**

#### **(i) Trade-for-trade basis**

Settlement of ISI Transactions in CCASS is effected on a trade-for-trade basis, directly between the Participants concerned.

#### **(ii) On-line settlement**

Settlement of ISI will, subject to the on hold mechanism described in (vi) and (vii) below, be immediately effected once input (and authorisation, if required) of ISI (without affirmation) or affirmation of an ISI (with affirmation) is made at or before 3:45 p.m. on a Settlement Day if the stipulated settlement date in respect of that ISI is not later than that Settlement Day and there are sufficient relevant stocks in the Stock Account of delivering Participant or in the case of an ISI Transaction to be settled in CCASS on an RDP basis, on-line immediate delivery will be effected by CCASS upon receipt of confirmation of payment in respect of such ISI Transaction from the Clearing House of HKAB.

For ISI (without affirmation) input or ISI (with affirmation) affirmed (a) on a Business Day which is not a Settlement Day or (b) between 3:45 p.m. and 7:00 p.m. on a Settlement Day, settlement will be effected during the Batch-settlement-runs or by the input of a DI on the next Settlement Day or the stipulated settlement date, if the stipulated settlement date is later than the next Settlement Day.

ISI (without affirmation) input or ISI (with affirmation) affirmed after 7:00 p.m. on a Business Day and before 7:00 a.m. on the next Business Day will be processed by



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CCASS after 7:00 a.m. on that next Business Day and settlement will be effected during the Batch-settlement-runs or by the input of a DI on (a) that next Business Day if it is a Settlement Day or (b) the next Settlement Day if that next Business Day is not a Settlement Day or (c) the stipulated settlement date if the stipulated settlement date is later than the date specified in (a) and (b) above.

ISI (without affirmation) input or ISI (with affirmation) affirmed on a day which is not a Business Day will only be processed by CCASS after 7:00 a.m. on the next Business Day and settlement will be effected during the Batch-settlement-runs on (a) that next Business Day if it is a Settlement Day or (b) the next Settlement Day if that next Business Day is not a Settlement Day or (c) the stipulated settlement date if the stipulated settlement date is later than the date specified in (a) and (b) above.

**(iii) Batch-settlement-runs**

Unless specifically excluded from Batch-settlement-runs by the Participant other than an Investor Participant specifying that the input of a DI is necessary or that ISI settlement shall be put on hold (see Section 12.3.2(i)), and/or in the case of insufficient stocks in the delivering Participant's Stock Account at the relevant time, the ISI Transaction will be included in the multiple Batch-settlement-runs effected on each Settlement Day, when relevant Eligible Securities in the relevant Stock Account of the delivering Participant (see item (f) of Section 12.3.2(i)) will be automatically debited and then credited to the relevant Stock Account of the receiving Participants (see item (f) of Section 12.3.2(i)).

In the case of an ISI Transaction to be settled in CCASS on an RDP basis, available shares in the relevant Stock Account of the delivering Participant will be put on hold and settlement will be effected by CCASS upon receipt of confirmation of payment of such transaction from the Clearing House of HKAB.

**(iv) Delivery Instructions**

A delivering Participant other than an Investor Participant can also initiate settlement of an ISI Transaction on or after its due date by the input of a DI.

If an ISI Transaction is specified by the delivering Participant other than Investor Participant to be excluded from Batch-settlement-runs at the time of input of the relevant ISI through the DI requirement field or subsequently through the use of the "Change DI Requirement" function, the delivering Participant will have to input a DI to effect settlement of such ISI Transaction in CCASS. Where the settlement of such ISI Transaction is also specified by the Participant other than an Investor Participant to be put on hold through the "Hold Before Settlement" field, the delivering Participant other than an Investor Participant should release the on hold mechanism prior to the input of a DI to effect settlement of the ISI Transaction in CCASS.

In the case of an ISI Transaction to be settled in CCASS on an RDP basis by a DI, available shares in the relevant Stock Account of the delivering Participant will be put on hold and settlement will be effected by CCASS upon receipt of confirmation of

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payment of such transaction from the Clearing House of HKAB.

**(v) No partial delivery**

Partial delivery in respect of an ISI Transaction will not be allowed in CCASS.

**(vi) DVP On hold mechanism**

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. 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.

**(vii) Hold Before Settlement Mechanism**

A Participant other than an Investor Participant may need to put on hold the settlement of an ISI from Batch-settlement-runs, online settlement initiated by the input of an ISI (without affirmation) or affirmation of an ISI (with affirmation) or from settlement initiated by the input of a DI. Under the on hold mechanism, an ISI which is to be settled on an FOP, DVP or RDP basis will be held and excluded from all the settlement processes described in Sections 12.3.6 (ii), (iii) and (iv) above. A Participant other than an Investor Participant can set the "Hold Before Settlement" indicator during ISI input or via the "Hold/Release ISI" function after the ISI has been updated to "pending for settlement" status. Once set, the ISI will be subject to the "Hold Before Settlement" mechanism. Settlement of such ISI will not be effected until the on hold mechanism has been released by the Participant other than an Investor Participant. If the status of ISI is already updated to 'Settled', 'DVP on hold', 'RDP on hold', 'Payment Validated' or 'Unwind', settlement of the ISI cannot be put on hold."

**12.3.7 Money Settlement for ISI Transactions**

A Participant other than an Investor Participant inputting the ISI will have to state in its ISI whether settlement of the ISI Transaction is to be on a RDP, DVP or FOP basis. Input data concerning (i) whether the ISI Transaction is to be on a RDP, DVP or FOP basis, and (ii) the money value (if on a RDP or DVP basis) are mandatory field in respect of ISIs input by Participants other than Investor Participants.

If settlement is to be on a RDP or DVP basis, the money value of the ISI Transaction should

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also be included in the ISIs. Both stock delivering and stock receiving Participants must maintain a Designated Bank Account in the relevant Eligible Currency for money settlement purposes.

Input data concerning (i) whether the ISI Transaction is to be on a RDP, DVP or FOP basis, and (ii) the money value (if on a RDP or DVP basis) are mandatory fields of ISIs.

For ISI Transactions to be settled in CCASS on a DVP basis, upon settlement in CCASS, HKSCC will issue EPIs in the normal way to the Designated Banks of the Participants concerned to effect payment between them. HKSCC's role is merely as a facilitator. The Settlement Reports or statements, as the case may be, of the Participants will show the relevant entries and details of the relevant EPIs.

For ISI Transactions to be settled in CCASS on a RDP basis, upon putting on-hold the Eligible Securities in the delivering Participant's Stock Account, HKSCC will issue CPIs to the Designated Banks of the Paying Participants to effect payment. HKSCC's role is merely as a facilitator. The Settlement Reports or statements, as the case may be, of the Participants will show the relevant entries and details of the relevant payments.

Investor Participant can only input ISI (without affirmation) and settlement of ISI Transaction resulting from such ISI (without affirmation) must be on a FOP basis.

### **12.3.8 Relevant CCASS Reports**

#### **(i) Reports available**

Three reports relating to ISI Transactions for Participants other than Investor Participants are available in CCASS, namely:

- (a) the ISI Activity Report;
- (b) the ISI Status Report; and
- (c) the Intra-day ISI/SI Full List.

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

#### **(ii) ISI Activity Report**

This report shows details of ISIs that are input, affirmed or purged by CCASS on each Business Day and lists ISI input activities (including input, change, authorise and delete instructions) and maintenance activities of the "Hold/Release ISI" function on that day.

#### **(iii) ISI Status Report**

This report lists all ISIs of a Participant which remain pending or unaffirmed at the end of each Business Day, as well as ISIs that are input or affirmed but are not yet due

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for settlement on the following Settlement Day.

**(iv) Intra-day ISI/SI Full List**

This report shows details of due/overdue ISIs/SIs of a Participant on current Business Day with status as of the completion of each Batch-settlement-run and of the completion of each of the fifth, sixth, eighth and final SI matching runs.

**12.3.9 ISI Batch File Transfer Service**

**(i) Details of service**

The use of the ISI batch file transfer service by a Participant will avoid the need for it to manually key in ISIs into CCASS on each occasion. Instead, a Participant using this service will be able to transfer to HKSCC a "file" containing details of ISIs already recorded in its own computer system.

**(ii) Technical procedural requirements**

Participants using this service have to develop their own computer software to prepare a batch file containing ISIs in their own computer systems, according to the file format and record layout stipulated by HKSCC.

For procedural requirements, please refer to the CCASS Terminal User Guide.

**(iii) Hours of service**

The ISI batch file transfer service is available for use on each Business Day between the hours of 8:00 a.m. and 7:00 p.m.

**12.3.10 HKSCC not Responsible for ISI Transactions**

HKSCC are not responsible for any default by Participants in respect of ISI Transactions. Participants themselves will have to pursue counterparty Participants which are in default.

**12.3.11 Adjustments of Entitlements for Late Deliveries**

In case of late deliveries in respect of ISI Transactions, where adjustments of benefits entitlements accruing to Eligible Securities have to be made, Participants will themselves have to pursue counterparty Participants which are in default. No adjustment facilities will be offered by HKSCC.

**12.4 TRANSFER INSTRUCTIONS**

**12.4.1 Submission of Transfer Instructions**

A Participant must complete an appropriate Transfer Instruction Form as set out in the CCASS Terminal User Guide for each transfer of Exchange Fund Notes, Government Bonds or Specified Instruments between it and a Recognized Dealer and for each transfer of CMU Instruments between it and a CMU Member. Participants must submit the duly completed Transfer Instruction Form to HKSCC (i) before 12:00 noon (or such other time as may be specified by HKSCC) on a Business Day for transfer to be effected on a delivery versus payment basis in CMU on the same day and (ii) before 2:00 p.m. (or such other time as may be specified by HKSCC) on a Business Day for transfer to be effected on a free of payment basis in CMU on the same day. HKSCC reserves the right not to process any Transfer Instructions received after the deadline specified by HKSCC. In such

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circumstances, late Transfer Instructions will have to be re-submitted to HKSCC on the next Business Day.

In respect of a transfer to be effected on a delivery versus payment basis in CMU, the Participant must specify in the appropriate Transfer Instruction Form the settlement amount and the settlement currency.

A Participant that wishes to utilize Exchange Fund Notes, Government Bonds or Specified Instruments transferred from a Recognized Dealer's CMU Account or CMU Instruments transferred from a CMU Member's CMU Account to settle Exchange Trades and/or SIs must submit its Transfer Instructions to HKSCC at least one Business Day before the settlement day.

#### **12.4.2 Settlement of Transfer Instructions in respect of which a Participant is to receive Exchange Fund Notes, Government Bonds or Specified Instruments from a Recognized Dealer or CMU Instruments from a CMU Member**

- (i) Upon the receipt of a duly completed Transfer Instruction Form as set out in the CCASS Terminal User Guide from a Participant in respect of a transfer between CCASS and CMU to be effected on a free of payment basis in CMU, HKSCC will transmit the Transfer Instruction to CMU. If sufficient Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be) are available in the relevant CMU Account of the counterparty to give effect to the Transfer Instruction, settlement of the Transfer Instruction will be executed in CMU immediately.
- (ii) Upon the receipt of a duly completed Transfer Instruction Form as set out in the CCASS Terminal User Guide from a Participant in respect of a transfer between CCASS and CMU to be effected on a delivery versus payment basis in CMU, HKSCC will transmit the Transfer Instruction to CMU only if HKSCC is satisfied that it has received from the Participant the required amount of payment, being the aggregate of the settlement amount specified in the Transfer Instruction Form and an amount equivalent to the value determined by CMU from time to time as the tolerance limit of settlement amount, in full before the specified deadline (normally 12:00 noon on a Business Day) in accordance with the arrangements as set out in the Transfer Instruction Form or as HKSCC may from time to time prescribe. Otherwise, the Transfer Instruction will be rejected by HKSCC and will not be submitted to CMU.

Following the transmission of the Transfer Instruction to CMU, if sufficient Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be) are available in the relevant CMU Account of the counterparty to give effect to the Transfer Instruction, HKSCC will be notified of the actual settlement amount payable in order to effect the transfer. Such actual settlement amount may be deviated from the settlement amount specified in the Transfer Instruction Form but the discrepancy will not be greater than the value determined by CMU from time to time as the tolerance limit of settlement amount. HKSCC is authorized by the Participant to use the required amount of payment or any part thereof to pay the actual settlement amount in settlement of the transfer, and to return the remaining balance of the required amount of payment (if any) to the Participant.

- (iii) The effecting of a transfer between CCASS and CMU in accordance with a Transfer Instruction will be dependent upon the appropriate actions being taken by the CMU, the CMU counterparty and, in the case of settlement on a delivery versus payment

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basis in CMU, HKSCC's banker or the Clearing House of HKAB (for certain money obligations paid to or received from the HKSCC HKD RTGS Account), as applicable.

- (iv) Upon receipt of a settlement confirmation from CMU by HKSCC, HKSCC will cause the Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be) to be credited to the designated Stock Accounts of the relevant Participant on the same day. Where applicable, HKSCC will also credit the remaining balance of the required amount of payment (if any) to the Participant's Money Ledger to be settled against its Designated Bank Account on the same day.
- (v) In case the transfer is not settled in CMU on the day specified in the Transfer Instruction Form, the Transfer Instruction may be carried forward to the next Business Day in CMU, subject to and in accordance with the procedures specified by the CMU. In respect of a Transfer Instruction that can be carried forward to the next Business Day in CMU, the Participant may cancel the Transfer Instruction by submitting to HKSCC a duly completed Transfer Instruction Cancellation Form as set out in the CCASS Terminal User Guide before the deadline specified by HKSCC. An unsettled Transfer Instruction that cannot be carried forward to the next Business Day or has been cancelled by the Participant as aforesaid will be purged by CMU at day end. A Participant will have to re-submit Transfer Instruction Form to HKSCC in respect of such unsettled Transfer Instruction. Where a Participant has made the required amount of payment to HKSCC in respect of such unsettled Transfer Instruction, HKSCC is authorized to and it will credit the relevant amount of payment to the Participant's Money Ledgers to be settled against its Designated Bank Account by HKSCC on the same day.

#### **12.4.3 Settlement of Transfer Instructions in respect of which a Participant is to deliver Exchange Fund Notes, Government Bonds or Specified Instruments to a Recognized Dealer or CMU Instruments to a CMU Member**

Upon receipt of a duly completed Transfer Instruction Form as set out in the CCASS Terminal User Guide from a Participant, HKSCC will check whether there are sufficient Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be) for delivery in the Participant's specified Stock Account before submitting the Transfer Instructions to CMU.

If there are insufficient Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be), HKSCC will notify the Participant by phone. If there are sufficient Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be), HKSCC will debit the Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments in respect of the Transfer Instruction from the specified Stock Account of the Participant. HKSCC will then submit the Transfer Instructions to CMU for processing.

The effecting of a transfer between CCASS and CMU in accordance with a Transfer Instruction will be dependent upon the appropriate actions being taken by the CMU, the CMU counterparty and, in the case of settlement on a delivery versus payment basis, the designated banks of the counterparty and HKSCC's banker or the Clearing House of HKAB (for certain money obligations paid to or received from the HKSCC HKD RTGS Account), as applicable.

Upon receipt of a settlement confirmation from CMU, HKSCC will advise the Participant. In the case of a Transfer Instruction specified to be effected on a delivery versus payment basis in CMU, HKSCC will credit the Participant's Money Ledger in accordance with

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#### Section 12.4.4.

In case the transfer is not effected in CMU on the day specified in the Transfer Instruction Form, the Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments (as the case may be) debited from the Stock Account of the Participant will be re-credited into their Stock Account by HKSCC on the same day and the Participant will be advised accordingly. If the Participant wishes to proceed with the transfer, it will need to submit a new Transfer Instruction Form to HKSCC.

#### **12.4.4 Money Settlement of Transfer Instructions**

A Participant shall state in its Transfer Instruction Form submitted to HKSCC whether the transfer between CCASS and CMU is to be effected on a delivery versus payment basis or a free of payment basis in CMU.

If settlement of the Transfer Instruction is to be effected between CCASS and CMU on a delivery versus payment basis in CMU, the settlement amount and the settlement currency must be specified by Participant in the Transfer Instruction Form. The Participant must maintain a Designated Bank Account in the relevant settlement currency which must be an Eligible Currency.

For a Transfer Instruction to be settled between CCASS and CMU on a delivery versus payment basis in CMU, with payment to be made to HKSCC, upon receipt of the settlement confirmation from CMU and the settlement amount, HKSCC will issue a credit entry of the relevant amount to the Miscellaneous Account of the Participants' Money Ledgers to be settled against the Participant's Designated Bank Account to effect payment for the value on the same day.

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

#### **12.4.5 HKSCC not responsible**

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 effect a transfer in accordance with a Transfer Instruction, irrespective of whether the transfer is specified to be effected on a free of payment basis or a delivery versus payment basis in CMU. If one of the parties is in default, the other party will have to pursue the party in default.

### **12.5 CROSS-BORDER TRANSFER INSTRUCTION**

#### **12.5.1 Submission of Cross-Border Transfer Instructions**

##### **(i) Foreign Securities**

Any Participant that wishes Foreign Securities to be transferred from an account of a person (other than HKSCC or the Nominee) with an Appointed Depository to HKSCC's account or the Nominee's account with that Appointed Depository (or vice versa) must complete and submit to HKSCC a Cross-Border Transfer Instruction Form in respect of Foreign Securities in the form set out in the CCASS Terminal User Guide. Participants must submit the completed Cross-Border Transfer Instruction Form to HKSCC before 2:00 p.m. (or such other time as may be specified by HKSCC) on a Business Day if the transfer is to be effected by the Appointed Depository on the same day, provided always that it is a business day in the place of location of the Appointed Depository. HKSCC reserves the right not to process any Cross-Border Transfer Instruction which is received after the deadline imposed by HKSCC. In such circumstances, late Cross-Border Transfer Instructions should be re-submitted by the Participant on the next Business Day.

A Participant who wishes to use Foreign Securities transferred from an account of a person (other than HKSCC or the Nominee) with the Appointed Depository to an account in the name of HKSCC or the Nominee with the Appointed Depository to settle an Exchange Trade, an SI and/or an ISI must submit a Cross-Border Transfer Instruction in respect of the receipt of Foreign Securities by the Participant to HKSCC at least one Business Day before the Settlement Day.

**(ii) Uncertificated Eligible Securities**

Any Participant that wishes 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 a Cross-Border Transfer Instruction Form in respect of Uncertificated Eligible Securities in the form set out in the CCASS Terminal User Guide. Participants must submit the completed Cross-Border Transfer Instruction Form to HKSCC before 2:00 p.m. (or such other time as may be specified by HKSCC) on a Business Day if the transfer is to be effected on the same day, provided always that it is a business day in the place of location of the Overseas Account. HKSCC reserves the right not to process any Cross-Border Transfer Instruction which is received after the deadline imposed by HKSCC. In such circumstances, late Cross-Border Transfer Instructions should be re-submitted by the Participant on the next Business Day.

A Participant who wishes to use Uncertificated Eligible Securities to be transferred from an Overseas Account to its Stock Account with CCASS to settle an Exchange Trade, an SI and/or an ISI must submit a Cross-Border Transfer Instruction in respect of the receipt of Uncertificated Eligible Securities by the Participant to HKSCC at least one Business Day before the Settlement Day.

**12.5.2 Settlement of Cross-Border Transfer Instructions in respect of which Foreign Securities are to be credited to HKSCC's account or the Nominee's account with the Appointed Depository and debited from another person's account with the Appointed Depository**

Upon receipt of a duly completed Cross-Border Transfer Instruction Form as set out in the CCASS Terminal User Guide from a Participant which relates to the crediting of Foreign Securities to HKSCC's account or the Nominee's account with the Appointed Depository, HKSCC shall transmit a Cross-Border Transfer Instruction to the Appointed Depository (or its nominee). The effecting of a transfer in accordance with that instruction will be dependent upon the appropriate action being taken by the Appointed Depository and the person whose account with the Appointed Depository will be debited.



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Upon receipt of a confirmation from the Appointed Depository (or its nominee) that HKSCC's account or the Nominee's account with the Appointed Depository has been credited with the relevant Foreign Securities a corresponding entry will be made in the Participant's Stock Account.

Unless a cancel instruction is submitted by HKSCC to the Appointed Depository, transfer instructions which are not effected by the Appointed Depository on the specified day will be carried forward to the next business day in the location of the Appointed Depository. Participants who wish HKSCC to submit a cancel instruction to the Appointed Depository are required to submit a duly completed Cancel Receive Instruction Form in the form as set in the CCASS Terminal User Guide before 2:00 p.m. on any Business Day which the Participant wishes to cancel the unsettled transfer instruction.

**12.5.3 Settlement of Cross-Border Transfer Instructions in respect of which Foreign Securities are to be debited from HKSCC's account or the Nominee's account with the Appointed Depository and credited to another person's account with the Appointed Depository**

Upon receipt of a duly completed Cross-Border Transfer Instruction Form as set out in the CCASS Terminal User Guide from a Participant which relates to the debiting of Foreign Securities from HKSCC's account or the Nominee's account with the Appointed Depository, HKSCC shall check whether a corresponding number of Foreign Securities are credited to that Participant's Stock Account. If there are sufficient Foreign Securities credited to the Participant's Stock Account, HKSCC will debit Foreign Securities from the Participant's Stock Account in accordance with the Cross-Border Transfer Instruction Form and will transmit a Cross-Border Transfer Instruction to the Appointed Depository (or its nominee) for processing.

Upon receipt of a confirmation from the Appointed Depository (or its nominee) that HKSCC's account with the Appointed Depository has been debited with the relevant Foreign Securities, HKSCC will advise the Participant.

Transfer instructions which are not effected by the Appointed Depository on the specified day will be purged by the Appointed Depository at its day end and the Participant will be advised accordingly. The appropriate Foreign Securities will be credited back to the Participant's Stock Account. Participants that wish to proceed with the transfer are required to submit a new duly completed Cross-Border Transfer Instruction Form to HKSCC.

**12.5.3A Settlement of Cross-Border Transfer Instructions in respect of which Uncertificated Eligible Securities are to be credited to Participant's Stock Account with CCASS and debited from an Overseas Account**

Upon receipt of a duly completed Cross-Border Transfer Instruction Form as set out in the CCASS Terminal User Guide from a Participant in relation to the crediting of Uncertificated Eligible Securities to that Participant's Stock Account with CCASS and a confirmation from the Overseas Issuer, or its authorized agents or representatives or its principal or branch share registrar or the entity with which the Overseas Account is maintained in relation to the transfer and/or re-registration of such Uncertificated Eligible Securities in the name of HKSCC or the Nominee, HKSCC shall credit such Uncertificated Eligible

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Securities to the Participant's Stock Account with CCASS. The effecting of a transfer in accordance with that instruction will be dependent upon the appropriate actions being taken by the Overseas Issuer (or its agents or representatives), the entity with which the Overseas Account is maintained and the holder of the Overseas Account to be debited.

Cross-Border Transfer Instructions received by HKSCC cannot be cancelled by the Participant. In case a Cross-Border Transfer instruction is not effected on the specified day for any reason, such transfer instruction will be carried forward to the next business day in the location of the Overseas Account to be debited, subject to any specified procedures of the Overseas Issuer (or its agents or representatives) and the entity with which the Overseas Account is maintained. In order to effect the transfer instruction that has been carried forward as aforesaid, the Participant may be required to submit a revised Cross-Border Transfer Instruction Form to HKSCC.

#### **12.5.3B Settlement of Cross-Border Transfer Instructions in respect of which Uncertificated Eligible Securities are to be debited from Participant's Stock Account with CCASS and credited to an Overseas Account**

Upon receipt of a duly completed Cross-Border Transfer Instruction Form as set out in the CCASS Terminal User Guide from a Participant in relation to the debiting of Uncertificated Eligible Securities from that Participant's Stock Account with CCASS, HKSCC will debit such Eligible Securities from the Participant's Stock Account in accordance with the Cross-Border Transfer Instruction Form if there are sufficient Eligible Securities in credit in the Participant's Stock Account. HKSCC will forward the transfer instruction to the Overseas Issuer, its authorized agents or representatives or its principal or branch share registrar or the entity with which the Overseas Account is maintained for processing. The effecting of a transfer in accordance with that instruction will be dependent upon the appropriate actions being taken by the Overseas Issuer (or its agents or representatives), the entity with which the Overseas Account is maintained and the holder of the Overseas Account to be credited.

Upon receipt of a confirmation from the Overseas Issuer (or its agents or representatives) or the entity with which the Overseas Account is maintained that the relevant Uncertificated Eligible Securities are transferred and credited to the Overseas Account as specified in the Cross-Border Transfer Instruction Form, HKSCC will advise the Participant.

For transfer instructions which are not effected by the Overseas Issuer (or its agents or representatives) or the entity with which the Overseas Account is maintained on the specified day, the relevant Uncertificated Eligible Securities will be credited back to the Participant's Stock Account and the Participant will be advised accordingly. Participants that wish to proceed with the transfer are required to submit a new duly completed Cross-Border Transfer Instruction Form to HKSCC.

#### **12.5.4 No Money Settlement of Cross-Border Transfer Instructions**

Settlement of Cross-Border Transfer Instructions shall be effected on a FOP basis only.

### **12.6 NON-TRADE TRANSFERS IN CHINA CONNECT SECURITIES**

#### **12.6.1 General**

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. Exceptions to such requirements are set out in Rule 4110(iii). Where stamp duty is payable

in respect of such non-trade transfers under the laws of Mainland China, HKSCC will assist in the collection in accordance with the procedure set out in this Section or such other procedure as may be notified to Participants and published on the HKEX website.

#### **12.6.2 Procedure**

A Participant who wishes HKSCC to submit the relevant stamp duty payable on a non-trade transfer to the relevant China Connect Clearing House for onward delivery to the relevant tax authority of Mainland China for the Participant or a client of the Participant must complete and submit to HKSCC a Non-Trade Transfer in China Connect Security Stamp Duty Declaration Form (see CCASS Terminal User Guide for Participants for the form), together with such supporting documents as may be specified by HKSCC. If a duly completed and signed form, together with the required supporting documents (if any) is received by HKSCC before 3:45 p.m. (or such other time as may be specified by HKSCC) on a Business Day, HKSCC will issue a debit entry of the stamp duty amount specified in the form (in RMB) to the Miscellaneous Account of the Participant's Money Ledger to be settled against the Participant's Designated Bank Account on the same day. The Participant must therefore maintain a Designated Bank Account in RMB for this purpose. Once HKSCC is satisfied that it has received from the Participant the required amount of payment, it will transmit the form, together with any required supporting documents and the relevant stamp duty payment to the relevant China Connect Clearing House. Upon receipt of the confirmation and stamp duty receipt from the relevant China Connect Clearing House, HKSCC will advise the Participant for collection of the stamp duty receipt.

#### **12.6.3 HKSCC not responsible**

HKSCC will not in any way be responsible or liable in contract, tort or otherwise to a Participant, its clients or any other person for any act, omission, delay or failure on the part of HKSCC or the relevant China Connect Clearing House in connection with the stamp duty payment collection, processing or other procedure relating to non-trade transfers in China Connect Securities. It is the responsibility of the Participant, its client or the relevant investor (as the case may be) to ensure that stamp duty, including any fine or penalty, in respect of a non-trade transfer is properly and timely paid to the relevant tax authority of Mainland China.

## **Section 12A**

### **Foreign Exchange Services**

#### **12A.1 THE TSF**

##### **12A.1.1 Purpose**

Chapter 12A of the Rules sets out the terms and conditions on which the FX Services may be provided by HKSCC as TSF operator and the obligations of TSF CCASS Participants to settle TSF FX Transactions and Stock Release FX Transactions. This Section 12A provides details on the money positions of TSF CCASS Participants and HKSCC in respect of TSF FX Transactions and Stock Release FX Transactions and the procedures relating to the settlement of such Transactions, submission of Stock Release Requests and earmarking and de-earmarking of TSF Stocks.

#### **12A.2 TSF FX TRANSACTIONS**

##### **12A.2.1 Settlement date of TSF FX Transactions**

A TSF FX Transaction shall be settled by TSF Clearing Participants on the same Settlement Day on which the corresponding TSF Exchange Trade is settled, that is, on T+2. Unless the context otherwise requires, references to “**settlement date**” or “**T+2**” in this Section 12A shall be construed accordingly.

##### **12A.2.2 Settlement obligations relating to TSF FX Transactions**

In respect of a TSF Buy FX Transaction, a TSF Clearing Participant is obliged to buy RMB from HKSCC in the amount representing the consideration payable under the corresponding TSF Buy Exchange Trade. Accordingly, the HKD amount to be provided by a TSF Clearing Participant for settlement of a TSF Buy FX Transaction will be an amount equal to the consideration payable multiplied by the applicable RMB Sell Final FX Rate. Subject to the provisions in Chapter 12A of the Rules and in this Section 12A, the RMB amount to be provided by HKSCC for settlement of a TSF Buy FX Transactions will be an amount representing the consideration payable as referred to above.

In respect of a TSF Sell FX Transaction, a TSF Clearing Participant is obliged to sell RMB to HKSCC in the amount representing the sale proceeds receivable under the corresponding TSF Sell Exchange Trade. Subject to the provisions in Chapter 12A of the Rules and in this Section 12A, the HKD amount to be provided by HKSCC for settlement of a TSF Sell FX Transaction will be an amount equal to the sale proceeds receivable multiplied by the applicable RMB Buy Final FX Rate.

##### **12A.2.3 TSF Confirmation Reports**

To assist TSF CCASS Participants in carrying out daily reconciliation with their internal records of TSF FX Transactions and Stock Release FX Transactions, details of such Transactions and the related information will be provided to TSF CCASS Participants in a

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TSF Confirmation Report at around 6:00 p.m. on each Business Day. TSF Confirmation Reports are provided for the information of TSF CCASS Participants only. TSF CCASS Participants can access TSF Confirmation Reports through CCASS Terminals and the Participant Gateway.

Subject to the above and HKSCC's discretion, a TSF Confirmation Report will include the following information (if any) in respect of a TSF Clearing Participant:

- (i) Information relating to each TSF FX Transaction generated on the relevant Trading day, details of the corresponding TSF Exchange Trade, the TSF FX Position in respect of each relevant TSF Stock and the corresponding CNS money and stock positions, the TSF Final FX Position of the Participant and the quantity of TSF Stocks to be earmarked or de-earmarked;
- (ii) Information relating to the TSF FX Position in respect of each relevant TSF Stock generated on the preceding Trading day and the corresponding CNS money and stock positions, the TSF Final FX Position of the Participant and the quantity of TSF Stocks to be earmarked or de-earmarked;
- (iii) Information relating to each Stock Release FX Transaction generated on the relevant Trading day, details of the corresponding Stock Release Request and the aggregate money position of the Participant in respect of Stock Release FX Transactions; and
- (iv) Information relating to each Stock Release FX Transaction generated on the preceding Trading day and the aggregate money position of the Participant in respect of Stock Release FX Transactions.

### **12A.3 MONEY POSITIONS IN RESPECT OF TSF FX TRANSACTIONS**

#### **12A.3.1 Purpose**

As a TSF Clearing Participant may have to settle multiple TSF FX Transactions in respect of a TSF Stock on T+2 and it may also have to settle multiple non-TSF supported Exchange Trades on TSF Stocks on the same day, with the view to reducing the funding pressure on TSF Clearing Participants, HKSCC may at its full discretion, allow the netting of money positions arising from different TSF FX Transactions and allow RMB payments to be received by the Participant under its CNS money positions to offset part or all of its RMB payment obligations arising under TSF FX Transactions.

Sections 12A.3.2 to 12A.3.6 provide a brief description of the procedures to be adopted where netting of money positions is allowed. These procedures can be summarised as follows:

- (i) Determination of the TSF FX Position in respect of each TSF Stock: The related procedures are set out in Section 12A.3.2 and illustrated by the example in Section 12A.3.3.
- (ii) Determination of the settlement time in respect of each TSF FX Position: This will result in dividing the TSF FX Positions of a TSF Clearing Participant in respect of different TSF Stocks due for settlement on T+2 into two groups, one group to be

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settled by the Participant by no later than 3:00 p.m. (the “**Afternoon FX Settlement Time**”) and the other group to be settled by the Participant by the completion of the final Batch-settlement-run (the “**Evening FX Settlement Time**”). The related procedures are set out in Section 12A.3.4 and illustrated by the example in Section 12A.3.6.

- (iii) Determination of the TSF Final FX Positions: The related procedures are set out in Section 12A.3.5 and are also illustrated by the example in Section 12A.3.6.

For the avoidance of doubt, in this Section 12A and in other parts of the Operational Procedures concerning the money position of a TSF Clearing Participant and HKSCC, unless the context otherwise requires, a reference to “**TSF FX Position**”, “**TSF Final FX Position**” or “**FX position**” comprises two money positions, with one money position expressed in RMB or HKD in respect of a TSF Clearing Participant representing the buy side or the sell side of a FX transaction (as the case may be) and the other or corresponding money position expressed in HKD or RMB in respect of HKSCC (as TSF operator) representing the other side of a FX transaction.

### **12A.3.2 Determination of the TSF FX Position**

All TSF Buy FX Transactions of a TSF Clearing Participant generated on a Trading day in respect of a TSF Stock will be offset against all TSF Sell FX Transactions generated on the same Trading day in respect of the same TSF Stock and all FX transactions effected for the purposes of amending or adjusting a TSF Exchange Trade in respect of the same TSF Stock pursuant to Section 12A.7.1, to result in a money position for settlement by a TSF Clearing Participant and the corresponding money position for settlement by HKSCC regarding the TSF Stock concerned. Such money position is referred to as the “**TSF FX Position**”.

The concept of how a TSF FX Position is derived can be illustrated by using the example set out in Section 12A.3.3.

A TSF FX Position normally involves either the TSF Clearing Participant making HKD payment to HKSCC for the purchase of RMB (or HKSCC making RMB payment to the Participant for the conversion of HKD), or the TSF Clearing Participant making RMB payment to HKSCC to effect a sale of RMB (or HKSCC making HKD payment to the Participant for the conversion of RMB). In some cases, however, it is possible that a TSF Clearing Participant may have a TSF FX Position under which it is obliged to make both RMB and HKD payments to HKSCC (or the other way round, where HKSCC is obliged to make both RMB and HKD payments to the Participant). These situations may arise due to differences in the RMB Buy Final FX Rate and the RMB Sell Final FX Rates applicable to TSF Exchange Trades.

As each TSF FX Position relates to a single TSF Stock, where a TSF Clearing Participant has obligations to settle TSF FX Transactions involving multiple TSF Stock on T+2, TSF FX Positions relating to different TSF Stocks will be generated.

### **12A.3.3 Example (determining the TSF FX Position in respect of each TSF Stock)**

The concept of netting used to derive a TSF FX Position can be illustrated by the following example: (Note: The negative (–) sign indicates payment by a TSF Clearing Participant and

a positive (+) sign indicates payment by HKSCC.)

(1) TSF Stock	(2) TSF Buy/Sell FX Transaction	(3) FX Amount in RMB	(4) Final FX Rate	(5) FX Amount in HKD
X	Buy	¥100 +	1.17	\$117 –
X	Buy	¥400 +	1.19	\$476 –
X	Sell	¥200 –	1.16	\$232 +
<b>TSF FX Position:</b>		<b>¥300 +</b>		<b>\$361 –</b>
TSF Stock	TSF Buy/Sell FX Transaction	FX Amount in RMB	Final FX Rate	FX Amount in HKD
Y	Buy	¥300 +	1.17	\$351 –
Y	Sell	¥800 –	1.16	\$928 +
<b>TSF FX Position:</b>		<b>¥500 –</b>		<b>\$577 +</b>

This example assumes that a TSF Clearing Participant is obliged to settle:

- two TSF Buy FX Transactions and one TSF Sell FX Transaction in respect of Stock X; and
- one TSF Buy FX Transaction and one TSF Sell FX Transaction in respect of Stock Y on the same settlement date.

The first step is to determine the RMB and HKD payment amounts for each TSF FX Transaction. The RMB amount in column (3) is derived from the consideration payable or receivable under the corresponding TSF Exchange Trade depending on whether such Trade involves a purchase or a sale of Stock X or Y. The HKD amount in column (5) is determined by applying the applicable RMB Buy Final FX Rate or RMB Sell Final FX Rate as referred to in Rule 12A10 (column (4)) to the corresponding RMB amount depending on whether RMB or HKD conversion by HKSCC is required.

For the TSF Buy FX Transactions in column (2), the TSF Clearing Participant is required to make HKD payment to HKSCC in exchange for RMB. For TSF Sell FX Transactions (also column (2)), the Participant is required to make RMB payment to HKSCC in exchange for HKD.

The TSF FX Position is derived from offsetting the RMB money positions in column (3) and the HKD money positions in column (5) for each of Stock X and Stock Y. The resulting TSF FX Position comprises one money position in one currency for the TSF Clearing Participant and the corresponding money position in the other currency for HKSCC as follows:

- TSF FX Position of TSF Clearing Participant: for Stock X, pay HKD361 to HKSCC in exchange of RMB300 and for Stock Y, pay RMB 500 to HKSCC in exchange for HKD577.

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- TSF FX Position of HKSCC: for Stock X, provide RMB 300 to the Participant for the conversion of HKD361 and for Stock Y, provide HKD577 to the Participant for the conversion of RMB500, as TSF operator.

#### 12A.3.4 Determination of the settlement time of TSF FX Positions

- (i) A TSF Clearing Participant is normally required to settle all its TSF FX Positions by no later than the Afternoon FX Settlement Time on T+2. However, depending on a number of factors as set out in Section 12A.3.4(ii), HKSCC may allow a TSF Clearing Participant to settle part or all of its TSF FX Positions by the Evening FX Settlement Time or at such later time as permitted by it as described in Sections 12A.3.4(iv) and 12A.4.5. In any event, HKSCC is not obliged to settle any money positions in respect of any TSF FX Positions on T+2 until after it has confirmed good payment of the relevant settlement amount from the TSF Clearing Participant.
- (ii) HKSCC may allow certain TSF FX Positions of a TSF Clearing Participant to be settled by the Evening FX Settlement Time while others must be settled by the Afternoon FX Settlement Time as normal, after taking into account, among others, the following factors:
  - (a) whether a TSF FX Position requires the Participant to make HKD payment to HKSCC;
  - (b) whether a TSF FX Position requires the Participant to make RMB payment to HKSCC; and
  - (c) whether the Participant has a TSF FX Position and a CNS money position in respect of the same TSF Stock (a “**corresponding CNS money position**”) and if so, the RMB amount involved in each case.
- (iii) Where a TSF FX Position requires a TSF Clearing Participant to make HKD payment to HKSCC in exchange for RMB, that TSF FX Position will be designated for settlement by the TSF Clearing Participant by the Afternoon FX Settlement Time.
- (iv) Where a TSF FX Position requires a TSF Clearing Participant to make RMB payment to HKSCC in exchange for HKD on T+2, HKSCC will consider whether the Participant will be receiving RMB from HKSCC on T+2 under its corresponding CNS money position before designating the settlement time of that TSF FX Position by the Participant. Normally, the following principles will be adopted:
  - (a) If HKSCC’s records show that the TSF Clearing Participant will not be receiving any RMB payment from HKSCC under its corresponding CNS money position, that TSF FX Position will be designated for settlement by the Afternoon FX Settlement Time.
  - (b) If HKSCC’s records show that the TSF Clearing Participant will be receiving RMB payment from HKSCC under its corresponding CNS money position, and the RMB payment to be received is not less than the RMB payment amount which the Participant is required to make to HKSCC pursuant to that TSF FX



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Position, that TSF FX Position will be designated for settlement by the Evening FX Settlement Time.

- (c) If HKSCC's records show that the TSF Clearing Participant will be receiving RMB payment from HKSCC under its corresponding CNS money position, and the RMB payment to be received under its corresponding CNS money position is less than the RMB payment amount which the Participant is required to make to HKSCC pursuant to that TSF FX Position, that TSF FX Position (comprising both the RMB money position and the corresponding HKD money position) will be split into two FX positions to be settled by the TSF Clearing Participant at two different times on T+2 as follows:
- (1) the portion of the TSF FX Position representing the RMB payment amount that is equal to the RMB amount of the corresponding CNS money position will be designated for settlement by the Evening FX Settlement Time; and
  - (2) the portion of the TSF FX Position representing the RMB payment amount that is in excess of the RMB amount of the corresponding CNS money position will be designated for settlement by the Afternoon FX Settlement Time.

For the avoidance of doubt, a reference in this Section 12A.3.4(iv)(c) to a split portion of a TSF FX Position shall be construed to mean a “**TSF FX Position**” as defined; and a reference to the “**corresponding HKD money position**” means, in relation to a TSF FX Position that is split into two FX positions, the HKD money position which corresponds to the RMB money position referred to in paragraph (1) and (2) above and which is derived on a pro-rata basis as illustrated in the example set out in Section 12A.3.6.

The method of determining the settlement time of TSF FX Positions described above can be illustrated by the example in Section 12A.3.6.

### **12A.3.5 Determination of the TSF Final FX Positions**

- (i) Upon completion of the procedures in Section 12A.3.4, one or more TSF FX Positions due for settlement by a TSF Clearing Participant by the Afternoon FX Settlement Time and one or more TSF FX Positions due for settlement by the Evening FX Settlement Time on T+2 will be generated.
- (ii) All TSF FX Positions designated for settlement by the Afternoon FX Settlement Time (as referred to in Sections 12A.3.4(iii), 12A.3.4(iv)(a) and 12A.3.4(iv)(c)(2)) will be offset against each other to result in a net money position under which the TSF Clearing Participant is normally either required to make HKD payment to HKSCC in exchange for RMB, or to make RMB payment to HKSCC in exchange for HKD. In some cases, however, it is possible that the Participant may have a TSF Final FX Position under which it is obliged to make both RMB and HKD payments to HKSCC (or the other way round, where HKSCC is obliged to make both RMB and HKD payments to the Participant). These situations may arise due to differences in the RMB Buy Final FX Rate and the RMB Sell Final FX Rates applicable to TSF

Exchange Trades. This HKD and/or RMB amount (as the case may be) represents the final money position of the Participant in respect of TSF FX Transactions to be settled by it on T+2 by the Afternoon FX Settlement Time (a “**TSF Final FX Position**”) and shall be settled no later than such time.

- (iii) All TSF FX positions designated for settlement by the Evening FX Settlement Time (as referred to in Sections 12A.3.4(iv)(b) and 12A.3.4 (iv)(c)(1)) will be aggregated to result in a combined money position in respect of which the TSF Clearing Participant is required to make RMB payment to HKSCC in exchange for the aggregated amount of the corresponding HKD payment to be made by HKSCC. This RMB amount represents the final money position of the Participant in respect of TSF FX Transactions to be settled by it on T+2 by the Evening FX Settlement Time (a “**TSF Final FX Position**”) and unless HKSCC permits a later settlement time as described in Section 12A.4.5, such amount shall be settled no later than such time.

The netting process as described in this Section 12A.3.5 is illustrated in the example set out in Section 12A.3.6.

Details of a TSF Clearing Participant’s TSF Final FX Positions will be included in TSF Confirmation Reports.

### 12A.3.6 Example (determining the settlement time of TSF FX Positions and the TSF Final FX Position)

The method of determining the settlement time of TSF FX Positions described in Section 12A.3.4 and determining the TSF Final FX Positions described in Section 12A.3.5 can be illustrated by using the following example: (Note: The negative (-) sign indicates payment by a TSF Clearing Participant and a positive (+) sign indicates payment by HKSCC.)

TSF Stock	CNS money positions in RMB	TSF FX Positions		TSF FX Positions for Participant to pay at different times			
		RMB amount	HKD amount	By the Afternoon FX Settlement Time		By the Evening FX Settlement Time	
				RMB amount	HKD amount	RMB amount	HKD amount
<i>TSF FX Positions (Participant to pay HKD):</i>							
U	¥200 –	¥100 +	\$117 –	¥100 +	\$117 –	0	0
V	¥100 –	¥200 +	\$234 –	¥200 +	\$234 –	0	0
W	¥100 +	¥300 +	\$351 –	¥300 +	\$351 –	0	0
<i>TSF FX Positions (Participant to pay RMB):</i>							
X	¥100 –	¥400 –	\$464 +	¥400 –	\$464 +	0	0
Y	¥200 +	¥500 –	\$580 +	¥300 –	\$348 +	¥200 –	\$232 +
Z	¥700 +	¥600 –	\$696 +	0	0	¥600 –	\$696 +
<b>TSF Final FX Positions:</b>				<b>¥100 –</b>	<b>\$110 +</b>	<b>¥800 –</b>	<b>\$928 +</b>

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This example assumes that a TSF Clearing Participant has the TSF FX Positions and corresponding CNS money positions in respect of each of Stocks U to Z for settlement on the same day.

The TSF FX Positions for Stocks U, V and W require the Participant to pay HKD to HKSCC in exchange for RMB. Such TSF FX Positions will be designated for settlement by the Afternoon FX Settlement Time. (Section 12A.3.4(iii))

The TSF FX Positions for Stocks X, Y and Z require the Participant to pay RMB to HKSCC in exchange for HKD. As mentioned in Section 12A.3.1, HKSCC will, at its discretion, consider whether the Participant will be receiving RMB from HKSCC on T+2 under its corresponding CNS money position before designating the settlement time of these TSF FX Positions. (Section 12A.3.4(iv))

For Stock X, the Participant is required to make RMB payment (RMB100) to HKSCC for the corresponding CNS money position. As it will not be able to use any RMB amount arising from its corresponding CNS money position to settle its TSF FX Position of RMB400, the whole TSF FX Position in respect of Stock X (RMB400) is designated for settlement by the Participant by the Afternoon FX Settlement Time. (Section 12A.3.4(iv)(a))

For Stocks Y and Z, the record shows that the Participant will be receiving RMB payment from HKSCC under its corresponding CNS money position (RMB200 for Stock Y and RMB 700 for Stock Z).

In the case of Stock Y, the RMB amount to be received (RMB200) is less than the RMB amount it is required to pay under its TSF FX Position (RMB500). Hence, the TSF FX Position in respect of Stock Y will be split into two FX positions which will be settled by the Participant at different times:

- one money position to be settled by the Evening FX Settlement Time: this relates to the portion of the RMB payment amount which is up to the amount of the corresponding CNS money position (RMB200) (Section 12A.3.4(iv)(c)(1));
- the other money position to be settled by the Afternoon FX Settlement Time: this relates to the portion of the RMB payment amount which is in excess of the amount of the corresponding CNS money position (RMB300) (Section 12A.3.4(iv)(c)(2); and
- the corresponding HKD payment amount of the original TSF FX Position for Stock Y (HKD580) will also be allocated to the two new TSF FX Positions pro-rata to their RMB payment amounts (HKD232 for RMB200, and HKD348 for RMB300 respectively). (Section 12A.3.4(iv)(c))

In the case of Stock Z, the RMB amount to be received from HKSCC under the Participant's corresponding CNS money position (RMB700) is in excess of its RMB payment amount in respect of its TSF FX Position (RMB600). This TSF FX Position is, therefore, designated for settlement by the Participant by the Evening FX Settlement Time. (Section 12A.3.4(iv)(b))

After dividing the various TSF FX Positions into the two groups for settlement by the Afternoon FX Settlement Time and by the Evening FX Settlement Time, the TSF FX

Positions designated for settlement by the Afternoon FX Settlement Time will be offset against each other to result in a net money position and the TSF FX Positions designated for settlement by the Evening FX Settlement Time will be added together to result in an aggregate money position, in each case, to arrive at a TSF Final FX Position for the Participant for settlement on T+2. (Sections 12A.3.5(i) to (iii))

In this example, under the TSF Final FX Position for settlement by the Afternoon FX Settlement Time, the Participant is required to pay RMB100 (RMB100 + RMB200 + RMB300 – RMB400 – RMB300) to HKSCC in exchange for HKD110 (–HKD117 – HKD234 – HKD351 + HKD464 + HKD348); and under the TSF Final FX Position for settlement by the Evening FX Settlement Time, the Participant is required to pay RMB800 (–RMB200 – RMB600) to HKSCC in exchange for HKD928 (HKD232 + HKD696).

## 12A.4 SETTLEMENT OF TSF FINAL FX POSITIONS

### 12A.4.1 Payment methods available to TSF Clearing Participants

The methods which a TSF Clearing Participant may use to settle its TSF Final FX Position by the Evening FX Settlement Time on T+2 are addressed in Section 12A.4.4. The methods which a TSF Clearing Participant may use to settle its TSF Final FX Position by the Afternoon FX Settlement Time on T+2 are set out below.

In respect of TSF Clearing Participants which are obliged to make a HKD or RMB payment to HKSCC for settlement of its TSF FX Final Position on T+2 by the Afternoon FX Settlement Time pursuant to Section 12A.3.5(ii), payment instruction in respect of such HKD or RMB payment obligation will be generated at around 8:00 a.m. on T+2 (a “**TSF payment instruction**”).

TSF payment instructions may be settled through CPIs or other methods. The following describes the procedures that will apply depending on which method a Participant chooses.

- (i) A TSF Clearing Participant may choose to settle TSF payment instructions via CPIs. If so, the following procedures apply:
  - (a) As a one-time instruction set up, the Participant should input and authorize a standing instruction to HKSCC relating to TSF payment instructions (a “**TSF Payment Standing Instruction**”) with “CHATS” as the payment method via a CCASS Terminal on any Business Day between 8:00 a.m. and 7:00 p.m. or such other time as may be prescribed by HKSCC from time to time. Any TSF Payment Standing Instruction remaining in “pending” status for ten calendar days after the date of its last update will be automatically purged from CCASS.
  - (b) Upon the generation of a TSF payment instruction by HKSCC, a CPI will be generated and included in the Electronic CHATS Payment Instruction Report (CSEPI03) for action by the TSF Clearing Participant’s Designated Bank.
  - (c) The Participant must authorize its Designated Bank to issue CHATS payment to the Clearing House of HKAB on behalf of the TSF Clearing Participant.

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- (d) The TSF Clearing Participant must ensure that there will be sufficient funds in the relevant currency in its HKD and/or RMB Designated Bank Account and that the CHATS payment is completed by its Designated Bank no later than the Afternoon FX Settlement Time on the same day on which the CPI is generated or such other time as may be prescribed by HKSCC from time to time.
  - (e) Where the CHATS payment is received by HKSCC after the Afternoon FX Settlement Time, HKSCC is entitled not to settle the relevant TSF Final FX Position and to refund the relevant amount received under the CHATS payment without interest to the Participant by crediting the amount to its Money Ledger.
- (ii) A TSF Clearing Participant may choose to settle TSF payment instructions through other means designated as acceptable by HKSCC from time to time, e.g. by bank transfer or CHATS payment. In these cases, the following procedures apply:
- (a) The TSF Clearing Participant must ensure that payment in the form of same day available funds is transferred to HKSCC's specified bank account no later than the Afternoon FX Settlement Time on the day on which the TSF payment instruction is generated or such other time as may be prescribed by HKSCC from time to time.
  - (b) Where payment is received by HKSCC after the Afternoon Settlement FX Time, HKSCC is entitled not to settle the relevant TSF Final FX Position and refund the amount received without interest to the TSF Clearing Participant by crediting the full amount of the payment to its Money Ledger.
  - (c) Where cash remittance is made to HKSCC not pursuant to any TSF payment instruction, HKSCC is entitled not to refund the amount paid to the TSF Clearing Participant on the same day. At the discretion of HKSCC, the amount will be refunded without interest to the Participant by crediting it to the Participant's Money Ledger, normally on the next Business Day.

Where a TSF payment instruction is generated on a Business Day but the relevant payment is not received by HKSCC by the close of business of that Business Day, the TSF payment instruction will be purged from CCASS at the end of the same day.

#### **12A.4.2 TSF Final FX Positions which require TSF Clearing Participants to pay HKD by the Afternoon FX Settlement Time**

This Section sets out the settlement procedures of TSF Final FX Positions which require a TSF Clearing Participant to make HKD payment to HKSCC by the Afternoon FX Settlement Time.

Pursuant to Section 12A.3.5(ii), a TSF Clearing Participant may be required under a TSF FX Final Position to make HKD payment to HKSCC by the Afternoon FX Settlement Time on T+2. The procedures for the settlement of such TSF Final FX Position by the Participant in HKD and by HKSCC in RMB are as follows:

- (i) Upon the receipt of the relevant HKD payment amount from the Participant in respect of such TSF Final FX Position via a CPI or through other means as referred to in

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Section 12A.4.1, HKSCC will record the receipt of HKD by crediting such amount in the Miscellaneous Account of the Money Ledger of the Participant.

- (ii) HKSCC will normally make payment of the relevant RMB amount in settlement of its TSF Final FX Position by the Evening FX Settlement Time on T+2. However, it may consider making the payment earlier to facilitate the Participant's settlement of its CNS money positions (if any). Accordingly, in determining the time of payment of the RMB amount for settlement of its TSF Final FX Position, HKSCC may have regard to the Participant's corresponding CNS money positions (if any) in relation to the TSF Stocks in respect of which it has TSF FX Positions and the net amount of such corresponding CNS money positions (in this Section 12A.4.2(ii), the "**net CNS money position**"). The following procedures will be adopted:
- (a) HKSCC will consider whether the TSF Clearing Participant will be receiving any RMB payment from HKSCC under its net CNS money position on T+2 or whether the Participant will be obliged to make any RMB payment to HKSCC under the Participant's net CNS money position on T+2.
- (b) If, according to HKSCC's records, the Participant will receive a RMB payment under its net CNS money position from HKSCC on T+2, HKSCC may settle its TSF Final FX Position in RMB by the Evening FX Settlement Time. This will be done by crediting the relevant RMB amount in the Miscellaneous Account of the Money Ledger of the TSF Clearing Participant after debiting the relevant HKD amount received under Section 12A.4.2(i) above from the Participant for settlement of its TSF Final FX Position from the same account.
- (c) If, according to HKSCC's records, the Participant will be obliged to make a RMB payment under its net CNS money position to HKSCC on T+2, HKSCC may settle its TSF Final FX Position in RMB in separate batches and at different times as follows:
- (1) upon the receipt of the relevant HKD payment from the TSF Clearing Participant pursuant to Section 12A.4.2(i) above, HKSCC may immediately credit such amount of RMB which it expects to have to make payment to the Participant under its TSF Final FX Position into the TSF Clearing Participant's Settlement Account of the Money Ledger up to the extent of the net CNS money position, provided that such amount shall in any event be no more than the net CNS money position or the RMB payment amount under the corresponding TSF Final FX Position, whichever is lower, after debiting the relevant HKD payment amount from its Miscellaneous Account; and
  - (2) HKSCC may settle the remaining portion of the amount in excess of the net CNS money position(s), if any, by the Evening FX Settlement Time by debiting the relevant amount of HKD from and crediting the relevant amount of RMB in the Miscellaneous Account of the Money Ledger of the TSF Clearing Participant.

The settlement procedures described above are illustrated by the example in Section 12A.4.3.

**12A.4.3 Example (Determine the payment time of the RMB amount for settlement of a TSF Final FX Position which requires TSF Clearing Participant to pay HKD by the Afternoon FX Settlement Time)**

This example illustrates the RMB payment amounts that will be settled by HKSCC immediately after a TSF Clearing Participant have made HKD payment to it and before the Evening FX Settlement Time respectively in respect of the Participant's TSF Final FX Position, where the Participant is obliged to make RMB payment under its corresponding CNS money positions in relation to the TSF Stocks in respect of which it has TSF FX Positions, pursuant to Section 12A.4.2(ii)(c).

This example assumes that a TSF Clearing Participant has the following TSF Exchange Trades and CNS money positions for settlement on T+2 in respect of Stocks Y and Z which are TSF Stocks: (Note : The negative (–) sign indicates payment by a TSF Clearing Participant and a positive (+) sign indicates payment by HKSCC.)

Stock	Corresponding CNS money positions in RMB	TSF FX Positions for Participant to settle by Afternoon FX Settlement Time	
		RMB amount	HKD amount
<i>TSF FX Position (Participant to pay RMB)</i>			
Y	¥200 +	¥400 –	\$468 +
<i>TSF FX Position (Participant to pay HKD)</i>			
Z	¥300 –	¥800 +	\$928 –
	¥100 –	¥400 +	\$460 –

After netting as illustrated in the above table, the TSF Clearing Participant has a HKD money position under its TSF Final FX Position to be settled by the Afternoon FX Settlement Time (HKD460).

Assuming the Participant has settled its HKD money position (HKD460) before the Afternoon FX Settlement Time, HKSCC will immediately record the receipt of the HKD460 by crediting the amount in the Miscellaneous Account of the Money Ledger of the Participant.

HKSCC will then immediately credit in the Participant's Settlement Account of the Money Ledger for the amount of RMB100, which is the lower of (i) the net amount of Participant's corresponding CNS money positions in relation to the TSF Stocks in respect of which it has TSF FX Positions (RMB100) and (ii) the RMB payment amount of the HKSCC under the corresponding TSF Final FX Positions (RMB400), after debiting the relevant HKD amount of HKD115 ( $\text{HKD}460 * \text{RMB}100/\text{RMB}400$ ) from the Participant's Miscellaneous Account. (Section 12A.4.2(ii)(c)(1))

In respect of the remaining portion of the RMB amount (RMB300) in excess of the net amount of the Participant's corresponding CNS money positions (RMB400 – RMB100), HKSCC will credit the amount in the Participant's Miscellaneous Account by the Evening FX Settlement Time, after debiting the relevant HKD amount of HKD345 ( $\text{HKD}460 -$

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HKD115) from the same account. (Section 12A.4.2(ii)(c)(2))

#### **12A.4.4 TSF Final FX Positions which require TSF Clearing Participants to pay RMB by the Afternoon FX Settlement Time**

This Section sets out the settlement procedures of TSF Final FX Positions which require a TSF Clearing Participant to make RMB payment to HKSCC by the Afternoon FX Settlement Time.

Pursuant to Section 12A.3.5(ii), a TSF Clearing Participant may be required under a TSF FX Final Position to make RMB payment to HKSCC by the Afternoon FX Settlement Time on T+2. The procedures for the settlement of such TSF Final FX Position by the Participant in RMB and by HKSCC in HKD are as follows:

- (i) Upon the receipt of the relevant RMB payment amount from the Participant in respect of such TSF Final FX Position via a CPI or through other means as referred to in Section 12A.4.1, HKSCC will record the receipt of RMB by crediting such amount in the Miscellaneous Account of the Money Ledger of the Participant.
- (ii) HKSCC will, by the Evening FX Settlement Time, complete the settlement of the TSF Final FX Position by debiting the relevant amount of RMB from and crediting the relevant amount of HKD in the Miscellaneous Account of the Money Ledger of the Participant.

#### **12A.4.5 TSF Final FX Positions which require the TSF Clearing Participants to pay RMB by the Evening FX Settlement Time**

This Section sets out the settlement procedures of TSF Final FX Positions which require a TSF Clearing Participant to make RMB payment to HKSCC by the Evening FX Settlement Time.

Pursuant to Section 12A.3.5(iii), a TSF Clearing Participant may be required under a TSF Final FX Position to make RMB payment to HKSCC by the Evening FX Settlement Time on T+2. The procedures for the settlement of such TSF Final FX Position by the Participant in RMB and by HKSCC in HKD are as follows:

- (i) At the end of the final Batch-settlement-run on T+2, HKSCC will collect the relevant amount of RMB required for settlement of the TSF Final FX Position from the TSF Clearing Participant by:
  - (a) firstly, accepting or taking up any RMB amount paid to the Participant under its settled net CNS money position, including any RMB amount paid to the Participant pursuant to Section 12A.4.2 (ii)(c)(1), by debiting the Participant's Miscellaneous Account of the Money Ledger; and
  - (b) secondly, accepting and taking up any RMB amount paid to the Participant's Miscellaneous Account of the Money Ledger for settlement of its TSF Final FX Position by the Afternoon FX Settlement Time on T+2 as referred to in Sections 12A.4.2 (ii)(b) and 12A.4.2 (ii)(c)(2) by debiting the Participant's Miscellaneous Account of the Money Ledger.



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The RMB amounts collected by HKSCC under paragraphs (a) and (b) above are together referred to as the “**RMB available amount**” in this Section 12A.4.5.

- (ii) Where the RMB available amount is sufficient to settle the Participant’s RMB money position under its TSF Final FX Position designated for settlement by the Evening FX Settlement Time, HKSCC may consider that the TSF Clearing Participant has fully settled such money position. Upon debiting the RMB available amount from the relevant account as referred to in Sections 12A.4.5(i)(a) and (b), HKSCC will immediately credit the relevant HKD amount in the Participant’s Miscellaneous Account.
- (iii) Where the RMB available amount is not sufficient to settle the Participant’s RMB money position under its TSF Final FX Position designated for settlement by the Evening FX Settlement Time in full (that is, in cases where the RMB money position of the TSF Final FX Position to be settled is greater than the RMB available amount), HKSCC may, at its discretion, consider allowing such RMB money position to be settled by the Participant in stages and at different times by applying the following procedures:
  - (a) Firstly, upon debiting the RMB available amount from the relevant account as referred to in Sections 12A.4.5(i)(a) and (b), HKSCC will immediately credit the Participant’s Miscellaneous Account with the corresponding amount in HKD. Such amount so debited may be treated as having been applied towards partial settlement of the RMB money position due for settlement by the Participant by the Evening FX Settlement Time on T+2.
  - (b) Secondly, a debit entry will be posted on the Participant’s Miscellaneous Account of the Money Ledger for the collection of the outstanding amount of the RMB money position due for settlement by the Evening FX Settlement Time on T+2. This debit entry will be settled in accordance with the money settlement process as described in Section 14.4. Upon settlement of the debit entry in accordance with Section 14.4 and after HKSCC has confirmed good payment, the full amount of the RMB money position due for settlement by the Participant by the Evening FX Settlement on T+2 may be treated as settled.
  - (c) Finally, after HKSCC has confirmed good payment of the RMB settlement amount in full as a result of the procedures under paragraphs (a) and (b) above, which normally takes place at around 8:30 p.m. on T+2, HKSCC will complete the settlement of the TSF Final FX Position by crediting the HKD amount which corresponds to the outstanding RMB amount referred to in Section 12A.4.5(iii)(b) above in the Miscellaneous Account of the Money Ledger of the TSF Clearing Participant.
- (iv) Where there is no RMB available amount for collection by HKSCC under Sections 12A.4.5 (i)(a) and (b) above, HKSCC will post a debit entry on the TSF Clearing Participant’s Miscellaneous Account of the Money Ledger to collect RMB from the TSF Clearing Participant. This debit entry will be settled in accordance with the money settlement process as described in Section 14.4. Upon settlement of the debit entry in accordance with Section 14.4 and after HKSCC has confirmed good payment

of the relevant RMB amount to be settled, which normally takes place at around 8:30 p.m. on T+2, HKSCC will complete the settlement of the TSF Final FX Position by crediting the relevant HKD amount in the Miscellaneous Account of the Money Ledger of the TSF Clearing Participant.

- (v) With respect to the portion of RMB money position that is settled by accepting or taking up the RMB available amount referred to in Sections 12A.4.5(i)(a) and (b) above, the TSF Clearing Participant will normally receive the corresponding HKD payment on T+2.
- (vi) With respect to the portion of RMB money position that is not settled by the acceptance or taking up of the RMB available amount referred to in Sections 12A.4.5(i)(a) and (b) above, the TSF Clearing Participant will normally receive the corresponding HKD payment in the morning of T+3, but valued on T+2.

The above settlement procedures are illustrated by the example set out in Section 12A.4.6.

#### 12A.4.6 Example (determining the HKD payment amount to be received from HKSCC by day-end of T+2 or the morning of T+3)

This example illustrates the HKD payment amounts that a TSF Clearing Participant will receive from HKSCC by the end of T+2 and the morning of T+3 in respect of its TSF Final FX Position designated for settlement by the Evening Settlement FX Time, where the RMB money position of the Participant under a TSF Final FX Position is not considered by HKSCC to be settled by or is only considered to be partially settled by the Evening FX Settlement Time, pursuant to Section 12A.4.5.

This example assumes that a TSF Clearing Participant has the following TSF Exchange Trades and CNS money positions for settlement on T+2 in respect of Stock N (which is not a TSF Stock) and Stocks Y and Z which are TSF Stocks: (Note: The negative (–) sign indicates payment by a TSF Clearing Participant and a positive (+) sign indicates payment by HKSCC.)

Stock	CNS money positions in RMB	TSF FX Positions		TSF FX Positions for Participant to pay at different times			
		RMB amount	HKD amount	By Afternoon FX Settlement Time		By Evening FX Settlement Time	
				RMB amount	HKD amount	RMB amount	HKD amount
<i>CNS money position in non-TSF Stock:</i>							
N	¥300 –						
<i>TSF FX Positions (Participant to pay RMB):</i>							
Y	¥200 –	¥200 –	\$232 +	¥200 –	\$232 +	0	0
Z	¥300 +	¥900 –	\$1,044 +	¥600 –	\$696 +	¥300 –	\$348 +
	<u>¥200 –</u>			<u>¥800 –</u>	<u>\$928 +</u>	<u>¥300 –</u>	<u>\$348 +</u>

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**TSF Final FX Positions**

After netting as illustrated in the above table, the TSF Clearing Participant has a RMB money position under its TSF Final FX Position to be settled by the Afternoon FX Settlement Time (RMB800) and another RMB money position under its TSF Final FX Position to be settled by the Evening FX Settlement Time (RMB300).

In respect of the TSF Clearing Participant's TSF Final FX Position designated for settlement by the Afternoon Settlement FX Time, assuming that the Participant has settled its RMB money position (RMB800) on time, HKSCC will effect the FX settlement before the Evening FX Settlement Time. The TSF Clearing Participant will receive the corresponding HKD payment amount under the TSF Final FX Position (HKD928) by the end of T+2.

In respect of the TSF Clearing Participant's RMB money position designated for settlement by the Evening Settlement FX Time (RMB300), although the Participant will receive RMB300 from HKSCC under the corresponding CNS money position in Stock Z, the Participant is, however, required to make a payment of RMB200 to HKSCC in respect of its net CNS money positions in respect of all stocks to be settled in RMB. As a result, the Participant is unable to draw on any available RMB amount under its CNS money positions, and is required to pay the outstanding RMB money position under its TSF Final FX Position (RMB300) through the CCASS day-end money settlement process. HKSCC will effect the settlement of the TSF Final FX Position upon the receipt of the RMB payment amount (RMB300) from the TSF Clearing Participant, and the Participant will only receive the corresponding HKD payment amount (HKD348) from HKSCC in the morning of T+3 (valued on T+2).

#### **12A.4.7 Failure to settle TSF Final FX Positions or other FX money positions**

Where a TSF Clearing Participant fails to settle any TSF Final FX Positions, TSF FX Positions or money positions in respect of TSF FX Transactions, Section 12A.8 apply.

### **12A.5 EARMARKING AND DE-EARMARKING OF TSF STOCKS**

#### **12A.5.1 Earmarking and de-earmarking requirements**

In accordance with Rules 12A01(v) and 12A09, TSF Stocks purchased with the support of the TSF shall be earmarked as such; held in the TSF Accounts; and be subject to restrictions on transfer to other Stock Accounts and withdrawal of share certificates from CCASS. 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. The sale of earmarked TSF Stocks through the use of the TSF will result in the de-earmarking of the TSF Stocks.

#### **12A.5.2 TSF Accounts**

Each TSF CCASS Participant will be allocated a TSF Principal Account and a TSF Segregated Account for the purpose of holding earmarked TSF Stocks.

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**12A.5.3 Determination of the number of TSF Stocks to be earmarked and de-earmarked**

With respect to the TSF Exchange Trades that a TSF Clearing Participant is obliged to settle on T+2, the number of shares in relation to each TSF Stock that will be subject to earmarking or de-earmarking in so far as that TSF Clearing Participant is concerned will be determined based on the following procedures:

- (i) aggregate the number of shares involved in all the TSF Buy Exchange Trades that were effected on the relevant Trading day;
- (ii) aggregate the number of shares involved in all the TSF Sell Exchange Trades that were effected on the same Trading day; and
- (iii) offset the resulting number of shares under paragraphs (i) and (ii) above to arrive at one net long stock position or one net short stock position (a “TSF stock position”).

In relation to each TSF Stock that a TSF Clearing Participant has settlement obligations on T+2, the number of shares representing a net long TSF stock position arrived at based on the above procedures, will be subject to earmarking, and the number of shares representing a net short TSF stock position arrived at based on the above procedures, will be subject to de-earmarking.

**12A.5.4 Earmarking of TSF Stocks**

- (i) Shares subject to earmarking must be earmarked upon settlement of the relevant TSF Exchange Trades on T+2. Accordingly, on each Settlement Day, earmarking of the relevant number of shares calculated in accordance with Section 12A.5.3 must be made or carried out by TSF Clearing Participants before the final Batch-settlement-run, failing which earmarking will be carried out by HKSCC in accordance with Section 12A.5.4(iii).
- (ii) Earmarking should be made by TSF Clearing Participants by effecting an ATI to transfer the relevant number of shares from their other Stock Accounts (other than Stock Collateral Control Account) into the TSF Accounts. TSF Clearing Participants shall not transfer any Eligible Securities that are not subject to earmarking into their TSF Accounts.
- (iii) If, by the final Batch-settlement-run on a Settlement Day, a TSF Clearing Participant has not yet carried out the earmarking or has not yet earmarked the relevant quantity of shares in accordance with Section 12A.5.4(i), HKSCC will carry out the earmarking itself by debiting the relevant number of shares, or if there is a shortfall of shares that require earmarking, the relevant number of shares representing the shortfall, from the Participant’s Stock Clearing Account and credit the same number of shares in the Participant’s TSF Principal Account without giving prior notice to or obtaining the prior consent of the Participant. Each TSF CCASS Participant confirms and acknowledges that HKSCC is authorised to carry out earmarking by effecting transfers of shares in and out of its Stock Clearing Account and its TSF Principal Account as contemplated in this Section. Should it be necessary for HKSCC to carry out earmarking as mentioned in this Section, HKSCC will normally do so at the following times:

- (a) after the completion of the final Batch-settlement-run on T+2, that is, normally at around 4:15 p.m.; and
  - (b) following the release of the Securities-on-hold after the close of the second session for Designated Banks to input DDI payment confirmation pursuant to Section 14.4.3, that is, normally at around 8:30 p.m.
- (iv) Where Section 12A.5.4(iii) applies and HKSCC has to carry out earmarking for a TSF Clearing Participant, the Participant is obliged to ensure that prior to the times specified for the earmarking to take place, there will be sufficient shares of the relevant TSF Stocks in the Participant's Stock Clearing Account to enable the earmarking of the relevant number of shares to be completed by HKSCC. If, in the course of carrying out earmarking for a TSF Clearing Participant pursuant to Section 12A.5.4(iii), HKSCC finds that earmarking of the relevant number of shares in respect of a TSF Stock cannot be fully completed due to an insufficient number of shares being available in a TSF Clearing Participant's Stock Clearing Account (the "**share shortfall**"), the following provisions will apply.

If the Participant has an unsettled long CNS stock position in respect of the same TSF Stock and the unsettled number of shares is not smaller than the share shortfall, HKSCC will transfer the number of shares representing the share shortfall from the TSF Clearing Participant's Stock Clearing Account to the TSF Principal Account after settlement of the relevant long CNS stock position; otherwise, the TSF Clearing Participant will be required to transfer the number of shares representing the share shortfall to its TSF Principal Account or TSF Segregated Account by the end of T+3. Where the Participant fails to make the transfer or fails to transfer sufficient number of shares to its TSF Account by the end of T+3, HKSCC is entitled to, among others, impose an exception handling fee as it considers appropriate and execute a FX transaction with the Participant in the opposite direction in respect of the relevant TSF FX Position in relation to the share shortfall, and in such circumstance, the Participant shall be liable to pay, reimburse and indemnify HKSCC for and against all costs, fees, expenses, losses and damages incurred by or caused to HKSCC as a result of its failure.

- (v) Information relating to the number of shares subject to earmarking and the corresponding CNS money and stock positions are available in the TSF Confirmation Report for reference by TSF CCASS Participants.

#### **12A.5.5 Earmarking of share entitlements**

As set out in Section 8.8, share entitlements arising from earmarked TSF Stocks such as bonus securities and scrip dividend entitlements will be credited to the Entitlement Account of TSF CCASS Participants. TSF CCASS Participants that wish to maintain the entitlements in their TSF Accounts may request HKSCC to transfer them from the Entitlement Account to the TSF Accounts by submitting an instruction in writing to HKSCC in the prescribed form. For the avoidance of doubt, once share entitlements arising from earmarked TSF Stocks are transferred to the TSF Accounts, they will be subject to earmarking and the same restrictions as set out in Rule 12A09 and Section 12A.5.1 shall apply.

### 12A.5.6 De-earmarking of earmarked TSF Stocks

The sale of earmarked TSF Stocks through the use of the TSF will result in the de-earmarking of the TSF Stocks. In addition, earmarked TSF Stocks can be de-earmarked through the submission of a Stock Release Request by a TSF CCASS Participant. This Section 12A.5.6 sets out the procedures involved in the de-earmarking of earmarked TSF Stocks resulting from a sale of earmarked TSF Stocks and Section 12A.6.1 sets out the procedures involved in the de-earmarking of earmarked TSF Stocks resulting from a submission of a Stock Release Request.

De-earmarking of earmarked TSF Stocks resulting from a sale of earmarked TSF Stocks will be carried out by HKSCC. Each TSF CCASS Participant confirms and acknowledges that HKSCC is authorised to carry out de-earmarking by effecting transfers of shares out of its TSF Principal Account and into its Stock Clearing Account as contemplated by this Section.

TSF Clearing Participants are obliged to ensure that at least 15 minutes prior to the final Batch-settlement-run, there will be sufficient number of shares of the relevant TSF Stock in their TSF Principal Accounts to enable de-earmarking to be effected by HKSCC.

If, in the course of conducting de-earmarking pursuant to this Section 12A.5.6, HKSCC finds that de-earmarking of the relevant number of shares cannot be fully completed due to an insufficient number of shares being available in a TSF Clearing Participant's TSF Principal Account, and this results in the Participant not being able to settle its TSF Final FX Position in RMB under Section 12A.3.5(iii), the provisions in Section 12A.8.1 shall apply.

A brief description of the de-earmarking procedures is set out as follows:

- (i) Around 15 minutes before each Batch-settlement-run on T+2 and after the completion of the final Batch-settlement-run on T+2, that is, normally at around 4:15 p.m., HKSCC will, based on a TSF Clearing Participant's net short TSF stock position as calculated in accordance with Section 12A.5.3 and subject to Section 12A.5.6(ii) below, de-earmark the relevant number of shares by transferring the relevant number of shares out of the TSF Clearing Participant's TSF Principal Account into its Stock Clearing Account so that the relevant number of shares which should be subject to de-earmarking are de-earmarked.
- (ii) In carrying out de-earmarking, HKSCC may consider a TSF Clearing Participant's money position under its TSF Final FX Position designated for settlement by the Afternoon FX Settlement Time on T+2 to determine the number of shares that should be de-earmarked at different times:
  - (a) If the Participant does not have any outstanding money position which is designated for settlement by the Afternoon FX Settlement Time on T+2 as set out in Section 12A.3.5(ii), where there is sufficient number of shares in the Participant's TSF Principal Account available for de-earmarking, HKSCC will transfer the full number of relevant shares subject to de-earmarking from the Participant's TSF Principal Account into its Stock Clearing Account.

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- (b) If the Participant has an outstanding money position which is designated for settlement by the Afternoon FX Settlement Time on T+2 as set out in Section 12A.3.5(ii):
- (1) where the relevant number of shares in a Participant's TSF Principal Account is sufficient for transfer for the purpose of de-earmarking, HKSCC will transfer such number of the shares representing the quantity of the Participant's corresponding short CNS stock position (if any) from the TSF Principal Account into the Participant's Stock Clearing Account; and
  - (2) the number of shares which has yet to be de-earmarked and which is over and above the quantity of the corresponding short CNS stock position (if any) will only be transferred from the TSF Clearing Participant's TSF Principal Account to its Stock Clearing Account after HKSCC has received the full payment amount due from the Participant in settlement of its RMB money positions on T+2.

## **12A.6 STOCK RELEASE REQUESTS AND STOCK RELEASE FX TRANSACTIONS**

### **12A.6.1 Submission of Stock Release Request and de-earmarking of earmarked TSF Stocks**

In accordance with Rule 12A12, 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 and Section 12A.5.1 without selling them, it may effect a book-entry movement of the relevant number of earmarked TSF Stocks from its TSF Accounts to any other Stock Account (other than the Stock Collateral Control Account, a SSA with Statement Service or a Special Segregated Account) on any Business Day through inputting and authorising a "Stock Release Request" via a CCASS Terminal or any other means as HKSCC may from time to time prescribe on any Business Day.

Unless HKSCC otherwise determines, HKSCC will notify the Participant of its acceptance of a Stock Release Request through CCASS after validation of the request. HKSCC will not accept a Stock Release Request unless it is satisfied that there is sufficient number of the relevant shares in the TSF CCASS Participant's designated TSF Account to enable de-earmarking of the shares.

Details of a TSF CCASS Participant's Stock Release Request activities and Stock Release FX Transactions will be provided to the Participant via a TSF FX Transaction / Stock Release Activity / Status Report and a TSF Confirmation Report, all of which are available to the Participant on the CCASS Terminals and/or Participant Gateway.

De-earmarking of shares resulting from an acceptance of a Stock Release Request will be carried out by HKSCC. Upon acceptance of a Stock Release Request by HKSCC, HKSCC will effect de-earmarking of the number of shares specified in the Stock Release Request by transferring the relevant number of shares from the TSF CCASS Participant's designated TSF Account to its other designated Stock Account. Each TSF CCASS Participant confirms and acknowledges that HKSCC is authorised to carry out de-earmarking by effecting transfers of shares out of its designated TSF Account and into its other designated Stock

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Account as contemplated in this Section.

Any Stock Release Request submitted by a TSF CCASS Participant on a Business Day which remains in the “pending status” by the close of business of that Business Day will be automatically purged from CCASS by the end of the same day.

### 12A.6.2 Stock Release FX Transactions

Upon acceptance of a Stock Release Request by HKSCC, a Stock Release FX Transaction will automatically be generated by CCASS.

Under a Stock Release FX Transaction, a TSF CCASS Participant shall in accordance with Rule 12A12, be deemed to have agreed to pay HKSCC on the second Settlement Day after the day on which HKSCC accepts the Stock Release Request, an amount in RMB representing the total market value of the earmarked TSF Stocks (which are the subject of the relevant Stock Release Request) based on the closing price of the TSF Stocks on the Trading day immediately preceding the day on which the Request was submitted to HKSCC, as recorded on the Exchange.

HKSCC will, subject to the relevant TSF Partner Bank delivering the relevant funds in HKD and provided that the TSF has not been temporarily suspended or ceased to operate and the FX Services are available, effect the settlement of the Stock Release FX Transaction by causing a credit to the relevant Designated Bank Account of the Participant with an amount in HKD representing the equivalent of the RMB amount paid by the Participant on the same Settlement Day, by reference to the following conversion rates:

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

### 12A.6.3 Settlement of Stock Release FX Transactions

The procedures on the settlement of Stock Release FX Transactions and the acceptable settlement methods are set out in this Section. A reference to “**settlement date**” in this Section means the second Settlement Day after the day on which HKSCC has accepted a relevant Stock Release Request.

- (i) At around 8:00 a.m. on a settlement date, HKSCC will aggregate (a) the RMB money positions arising from all the Stock Release FX Transactions regarding all the relevant TSF Stocks in respect of a TSF CCASS Participant; and (b) the corresponding money positions arising from the same Stock Release FX Transactions in respect of itself, that are due for settlement on that day by reference to Section 12A.6.2, and generate a single combined RMB money position and the related payment instruction for the Participant (a “**TSF payment instruction**”) and a single combined HKD money position for itself.



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- (ii) If the Participant has set up a TSF Payment Standing Instruction in accordance with Section 12A.4.1(i)(a) with “CHATS” as a payment method, upon the generation of the TSF payment instruction referred to in paragraph (i) above, HKSCC will generate a CPI to its Designated Bank instructing the Designated Bank to make payment on the Participant’s behalf.
  - (iii) The TSF Clearing Participant must settle or ensure that its Designated Bank will settle the TSF payment instruction by paying or transferring same day available RMB funds into HKSCC’s specified bank account at no later than 3:00 p.m. on the settlement date or such other time as may be prescribed by HKSCC from time to time;
  - (iv) Upon receiving the relevant RMB amount due from the TSF CCASS Participant in full on the settlement date, HKSCC will effect settlement of its combined HKD money position referred to in paragraph (i) above by crediting the Participant’s Money Ledger with the relevant HKD payment amount on the same settlement date.

#### **12A.6.4 Failure to settle Stock Release FX Transactions**

Where a TSF CCASS Participant fails to settle its combined RMB money position referred to in Section 12A.6.3(i) above to HKSCC by 3:00 p.m. on the settlement date, HKSCC is entitled to, among others, enter into or effect one or more FX transactions with a TSF Partner Bank in the opposite direction to reduce or minimize its back-to-back FX exposure to a TSF Partner Bank. Where such FX transactions are entered into by HKSCC and generally where a TSF CCASS Participant fails to settle any of its RMB money positions under this Section, the Participant shall be liable to pay, reimburse and indemnify HKSCC for and against all costs, fees, expenses, losses and damages incurred by or caused to HKSCC as a result of its failure. Further, the TSF CCASS Participant will also be subject to the payment of an exception handling fee (if applicable).

### **12A.7 AMENDMENTS TO TSF EXCHANGE TRADES AND ADJUSTMENTS TO TSF FX TRANSACTIONS**

#### **12A.7.1 Trade amendments and adjustments**

Where a Trade Amendment is permitted under Exchange Rule 528 or when a TSF Exchange Trade is isolated by HKSCC under Rule 901(ii), HKSCC is entitled to take such action as it considers necessary to adjust, amend or reverse the corresponding TSF FX Transaction (the “**original TSF FX Transaction**”) of the affected TSF Exchange Trade. Such action may include HKSCC entering into any FX transaction in respect of the relevant RMB or HKD amount that needs to be adjusted with the Participant (an “**Amendment FX Transaction**”) and a back-to-back FX transaction with a TSF Partner Bank, in each case, at such exchange rate as HKSCC considers appropriate. For the avoidance of doubt, where an Amendment FX Transaction is entered into, the original TSF FX Transaction will continue to be treated as valid and effective by HKSCC.

Where an Amendment FX Transaction is entered into, the Transaction shall be settled by the TSF Clearing Participant on the same Settlement Day on which the original TSF FX Transaction is to be settled. Details of any Amendment FX Transaction or any other adjustments or amendments to any TSF FX Transaction will be provided to the Participant in separate reports.

## 12A.7.2 HKSCC's powers

Where HKSCC exercises its power under Section 12A.7.1, the TSF CCASS Participant shall be responsible for paying and reimbursing all costs, fees and expenses incurred by HKSCC and shall indemnify HKSCC against all such costs, fees and expenses and all losses caused to HKSCC, directly or indirectly, as a result of the entering into of any Amendment FX Transaction or back-to-back FX transaction or the taking of any other action or actions by HKSCC.

## 12A.8 FAILURE TO SETTLE MONEY POSITIONS

### 12A.8.1 HKSCC's powers

Where a TSF Clearing Participant fails to settle any TSF FX Position, TSF Final FX Position or any of its money positions in respect of any TSF FX Transaction on T+2, without affecting or limiting any powers of HKSCC and without prejudice to any other provisions of the Rules (including the default provisions), HKSCC is entitled to take any or all of the following actions:

- (i) HKSCC is entitled not to settle any of its corresponding money positions in HKD or RMB, as the case may be, in which case, where appropriate, the Participant concerned shall be responsible for obtaining the necessary funds in the relevant currency to settle the relevant TSF Exchange Trade;
- (ii) HKSCC may take such action as it considers necessary to adjust, amend or reverse any TSF FX Transaction (in whole or in part) in respect of which the Participant has failed to settle. Such action may include HKSCC entering into any FX transaction with the Participant (an "**Amendment FX Transaction**") and a back-to-back FX transaction with a TSF Partner Bank, in each case, at such exchange rate as HKSCC considers appropriate; and
- (iii) HKSCC may impose an exception handling fee on the Participant as it considers appropriate;

Further, HKSCC is entitled to take additional actions in the following specific circumstances:

- (a) Where a TSF Clearing Participant fails to provide sufficient shares for de-earmarking in accordance with Section 12A.5.6 which results in the Participant not being able to settle any of its corresponding CNS stock position and corresponding money position in full at the designated settlement time on the relevant Settlement Day, where the money position involved is the payment of RMB by the Participant in the situation contemplated in Section 12A.3.4(iv)(b) or 12A.3.4(iv)(c)(1), HKSCC is entitled not to accept or take up any RMB available amount in part or in full referred to in Section 12A.4.4 and treat the relevant money position as outstanding and unsettled; and
- (b) Where a TSF Clearing Participant fails to settle any TSF Final FX Position in full, notwithstanding such failure, HKSCC is entitled to carry out or continue to carry out earmarking of the relevant number of shares in accordance with the calculation set out

in Section 12A.5.3 by effecting the transfers of shares as contemplated in Section 12A.5.4 as if the TSF Final FX Position has been fully settled. In this connection, TSF Participants are deemed to have authorised and accepted such transfers.

Where any action in this Section 12A.8 is taken by HKSCC, the Participant shall be responsible for paying and reimbursing all costs, fees and expenses incurred by HKSCC and shall indemnify HKSCC against all such costs, fees, expenses and all losses caused to HKSCC, directly or indirectly, as a result of the Participant's failure or HKSCC taking any of the above actions.

#### **12A.9 RISK MANAGEMENT: COLLATERAL**

HKSCC, as TSF operator, may collect Collateral in the form of cash as collateral for the performance of 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 amount of the Collateral required to be provided shall be as determined by HKSCC from time to time.

HKSCC will notify a TSF CCASS Participant in writing of the amount of Collateral required and the Participant should provide the Collateral within the time period specified.

Collateral provided by TSF CCASS Participants will be redelivered at such time as is considered appropriate by HKSCC.

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

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## Section 13

### Securities Settlement

#### 13.1 GENERAL

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

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

In most cases, to effect settlement in CCASS, a delivering Participant may rely on one of the three methods :

- (i) the input of Delivery Instructions;
- (ii) the multiple Batch-settlement-runs effected on each Settlement Day; or
- (iii) on-line delivery for ISI Transactions or SI Transactions to be settled in CCASS on a RDP basis by HKSCC.

A delivering Participant wishing to settle a particular transaction first will always be able to do so by the use of a DI, instead of relying on the Batch-settlement-runs which will be processed by HKSCC based on a pre-determined sequence (see further Section 13.3.4 and Section 13.3.6)

Further, in relation to Isolated Trades (including Clearing Agency Transactions), ISI Transactions and SI Transactions, a delivering Participant can also exclude such transactions from Batch-settlement-runs. In the case of an Isolated Trade (including a Clearing Agency Transaction), the delivering Participant can always make use of the "Change DI Requirement" function available through its CCASS Terminals or Participant Gateways to specify that a DI will be required to effect settlement of that Isolated Trade. In the case of an ISI or SI Transaction, the delivering Participant can either specify at the time of input of an ISI or SI or subsequently by the use of the "Change DI Requirement" function, that a DI will be required to effect settlement.

On-line delivery will be effected by HKSCC in accordance with section 12.3.6(ii) upon input of an ISI (without affirmation) or affirmation of an ISI (with affirmation) by the Investor Participant concerned where there are sufficient Eligible Securities in the Stock Account of the delivering Participant concerned. However, if an ISI Transaction is to be settled in CCASS on a DVP basis and the delivering Participant requires the on hold mechanism to be operated, delivery will be effected upon obtaining Negative Confirmation of Payment from the Designated Bank of the receiving Participant on the next Business

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Day; and in the case of an ISI Transaction or SI Transaction to be settled in CCASS on a RDP basis, delivery will be effected upon receipt of confirmation of payment from the Clearing House of HKAB.

A Participant wishing to settle a delivering SI Transaction with the Eligible Securities received from a particular SI Transaction (with identical details in respect of stock code, settlement date and settlement account) can assign an identical "SI linkage reference" to both SIs during SI input. As the system captures the identical reference, the on-hold mechanism will operate so that the Eligible Securities credited to the Participant's settlement account with respect to the receiving SI will be applied solely for the settlement of the designated delivering SI with the same SI linkage reference during settlement process. After assigning a SI linkage reference to the SIs, a Participant may still settle the obligation to deliver under the delivering SI using other Eligible Securities available in the Participant's settlement account by the input of a Delivery Instruction for immediate settlement or the deletion of the "SI linkage reference" from the delivering SI for settlement via a Batch-settlement-run. Notwithstanding the settlement of the delivery obligation using other available securities, the Eligible Securities received under the receiving SI and subject to the on-hold mechanism shall not be released until the end of the Final Batch-settlement-run on that Settlement Day unless the Participant has deleted the "SI linkage reference" from the receiving SI via the "Change Matched/Settled SI" function.

A delivering or receiving Participant wishing to hold settlement of an SI Transaction after successful matching can select the Hold Matched SI requirement field as "Yes" during SI input or via the "Change Hold Matched SI" function. 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. Similarly, an ISI Transaction can be held from settlement if the Participant other than an Investor Participant sets the "Hold Before Settlement" field as "Yes" during ISI input or via the "Hold/Release ISI" function during subsequent update. Settlement of such ISI will not be effected until the on hold mechanism has been released by the Participant.

#### **13.1.1A Intra-day Counter Transfer Instructions**

With respect to certain Multi-counter Eligible Securities designated by HKSCC from time to time, a Clearing Participant or Clearing Agency Participant may submit Intra-day Counter Transfer Instructions to HKSCC at or before 3:00 p.m. on a Settlement Day, via CCASS Terminal or such other means as may be specified by HKSCC from time to time, to facilitate settlement of such Multi-counter Eligible Securities at the final Batch-settlement-run at 3:45 p.m.

A Clearing Participant or Clearing Agency Participant may submit one-off or standing Intra-day Counter Transfer Instructions to HKSCC. Pursuant to an Intra-day Counter Transfer Instruction provided by a Clearing Participant or Clearing Agency Participant, HKSCC will compare the availability of the Multi-counter Eligible Securities under the different stock codes in its Stock Clearing Account and will, to the extent there is a shortfall in one stock code to meet its delivering obligations for settlement and a surplus in another stock code, effect an automatic transfer of surplus Multi-counter Eligible Securities from the other stock

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code to such stock code up to the amount of the shortfall provided that the Multi-counter Eligible Securities concerned are of the same class.

Any standing Intra-day Counter Transfer Instruction submitted by a Clearing Participant or Clearing Agency Participant authorizes HKSCC to generate recurring Intra-day Counter Transfer Instructions on its behalf on each Settlement Day. Clearing Participants and Clearing Agency Participants are requested to refer to the CCASS Terminal User Guide for further information on the use of the relevant maintenance function.

#### **13.1.2 Stock Accounts used for settlement**

Except as otherwise provided in the Operational Procedures, the Stock Clearing Accounts of Participants other than Investor Participants and the Stock Accounts of Investor Participants will be used to make or take deliveries of Eligible Securities for the purpose of settlement of transactions in CCASS.

Accordingly, delivering Participants should ensure that there are sufficient Eligible Securities in their Stock Clearing Accounts/Stock Accounts for settlement purposes.

Similarly, receiving Participants (other than Investor Participants) may wish to move Eligible Securities out of their Stock Clearing Accounts upon receipt from other Participants.

The Stock Clearing Account of a Participant other than an Investor Participant may not be used for settlement purposes in CCASS if a Participant initiates settlement by the input of a DI. In such a case, the Participant can specify any of its Stock Accounts (other than its Stock Collateral Control Account and where the Participant is a TSF CCASS Participant, other than its TSF Accounts) from which Eligible Securities should be debited. A Participant can also specify for a SI Transaction which Stock Account (other than its Stock Collateral Control Account) from which or to which Eligible Securities should be debited or credited.

#### **13.1.3 Partial deliveries**

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

No partial delivery will be allowed in respect of SI and ISI Transactions.

#### **13.1.4 Money settlement**

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

Settlement of Isolated Trades (including Clearing Agency Transactions) may be on a DVP or FOP basis, as stipulated by the Participants concerned.

Settlement of ISI or SI Transactions may be on a RDP, DVP or FOP basis, stipulated by the Participants concerned.

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Further details are set out in Section 14.

## **13.2 SETTLEMENT BY DIs**

### **13.2.1 Transactions which may be settled by DIs**

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

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

DIs for the settlement of Eligible Securities must be input into CCASS before the commencement of each Batch-settlement-run on each Settlement Day.

### **13.2.2 Transactions which must be settled by DIs**

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

### **13.2.3 "Change DI Requirement" function**

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

### **13.2.4 "Input DI" function**

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

The following details will have to be included in a DI :

- (i) the Stock Account to be used to effect settlement by the DI;
- (ii) whether full or partial delivery is to be made (partial delivery is only allowed for CNS stock positions and Isolated Trades including Clearing Agency Transactions on a FOP basis) and in the case of partial delivery, the quantity of Eligible Securities to be delivered by the DI; and
- (iii) in the case of a DI to effect settlement of an Isolated Trade (including a Clearing Agency Transaction), payment instructions as to whether settlement is to be on a DVP

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or FOP basis.

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

### **13.2.5 Immediate delivery**

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

### **13.2.6 DIs not accepted**

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

- (i) where the transaction to be settled as stated by the DI is not yet due for settlement;
- (ii) where the Stock Account stipulated by the Participant to be used has an insufficient available balance of relevant Eligible Securities for the purpose of the DI;
- (iii) where the transaction identified by the DI has already been settled;
- (iv) where a DI attempts to effect partial delivery in respect of an Isolated Trade (including a Clearing Agency Transaction) to be settled on a DVP basis;
- (v) where a DI attempts to effect partial delivery in respect of an ISI Transaction or SI Transaction;
- (vi) where a DI attempts to effect settlement of an SI Transaction, whose settlement has been put on hold by either or both of the delivering and receiving Participants;
- (vii) where a DI attempts to effect settlement of an ISI Transaction, whose settlement has been put on hold by the Participant;
- (viii) where a DI attempts to effect settlement of an SI Transaction in a China Connect Security which has (i) an outstanding short CNS position in such China Connect Security before the completion of the fourth Batch-settlement-run unless the delivering account of such SI Transaction is a Special Segregated Account or (ii) an overdue short CNS position in such China Connect Security after the fourth Batch-settlement-run unless any of the circumstances as referred to in Section 12.1.6 (vi)(e) to effect an SI Transaction is met; and
- (ix) where a DI attempts to effect settlement of an SI transaction in a China Connect



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Security on a RDP basis after the specified input deadline.

### **13.3 SETTLEMENT BY BATCH-SETTLEMENT-RUNS**

#### **13.3.1 Transactions settled by Batch-settlement-runs**

Other than (i) those transactions which are specified to require the input of DIs by the delivering Participants other than Investor Participants to effect settlement (see Section 13.2.3); (ii) SI Transactions whose settlement has been put on hold by either or both of the delivering and receiving Participants after successful matching (see Section 12.1.6(ii)); and (iii) ISI Transactions whose settlement has been put on hold by a Participant other than an Investor Participant (see Section 12.3.6 (vii)), transactions in CCASS may be settled by the multiple Batch-settlement-runs effected by HKSCC on each Settlement Day.

ISI and SI Transactions to be settled in CCASS on an RDP basis will be excluded from the final Batch-settlement-run on each Settlement Day.

#### **13.3.2 Batch-settlement-runs**

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

In the case of ISI or SI Transactions to be settled in CCASS on a RDP basis by Batch-settlement-run, the sufficient available shares in the Stock Account of delivering Participants will be put on-hold pending on-line delivery upon receipt of confirmation of payment of such transactions from the Clearing House of HKAB.

The processing in the final Batch-settlement-run shall be conducted in accordance with the provisions in Section 6.2.

#### **13.3.3 Frequency of Batch-settlement-runs**

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

For China Connect Securities, five Batch-settlement-runs are carried out every Settlement Day, at 4:45 p.m., 5:30 p.m., 6:15 p.m., 7:00 p.m. and 7:45 p.m. For the final Batch-settlement-run at 7:45 p.m., only SI stock positions on a DVP or FOP basis will be settled.

#### **13.3.4 Delivery - processing sequence of short positions**

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

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Clearing Agency Transactions and SI Transactions, where applicable. For other Participants other than Investor Participants, ISI Transactions and SI Transactions will be included in a Batch-settlement-run. For Investor Participants, ISI Transactions will be included in a Batch-settlement-run.

In relation to a delivering SI input with an "SI linkage reference" code, settlement of the transaction will only be effected if the corresponding receiving SI has been settled and there is sufficient "on hold" Eligible Securities and/or available Eligible Securities in the stipulated settlement account.

In relation to a matched on hold SI, settlement of the SI Transaction will only be effected if the matched on hold status has been released by the initiating party or parties, as the case may be. In relation to an ISI with "pending for settlement" status whose settlement has been put on hold, settlement will only be effected if the on hold mechanism has been released by the Participant other than an Investor Participant.

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

- (i) CNS stock positions;
- (ii) Isolated Trades (including Clearing Agency Transactions); and
- (iii) SI/ISI Transactions.

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

Within each type of transaction in the same Eligible Security included in a Batch-settlement-run, settlement processing will also be effected based on pre-determined sequences.

In the case of CNS short stock positions in the same Eligible Security of a Participant, the oldest CNS short stock position of a Participant will be settled first in a Batch-settlement-run. In case of Isolated Trades (including Clearing Agency Transactions) in the same Eligible Security, settlement processing will be in the following order:

- (i) age (oldest) - the trade which has remained unsettled for the longest time; and if this is the same, then
- (ii) price (highest) - the trade which has the highest position price (i.e. position amount divided by position quantity); and if this is the same, then
- (iii) position (smallest) - the trade which has the smallest position size (i.e. quantity); and if this is the same, then

- (iv) random.

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

- (i) Overdue SI/ISI Transactions are settled before due SI/ISI Transactions. With respect to overdue SI/ISI Transactions, its due settlement date will not affect its settlement priority determined in accordance with the following paragraphs.
- (ii) Overdue SI/ISI Transactions for settlement on the RDP basis are settled before overdue SI/ISI Transactions for settlement on the DVP basis.
  - (iii) Among overdue SI/ISI Transactions for settlement on the RDP basis, settlement priority shall be based on transaction value.
    - (a) Those with transaction values equal to or above HK\$1 billion are treated as having the same transaction value and settled first in the order of priority based on their position numbers allocated by reference to matching/affirmation time.
    - (b) Those with transaction values below HK\$1 billion and equal to or above HK\$1,000 are settled in the order of priority based on their transaction values. Those with the highest transaction values are settled with priority over those with a lower transaction value. SI/ISI Transactions will be valued in increments of HK\$1,000, to illustrate, SI/ISI Transactions having values between HK\$1,000 and HK\$1,999 will all be valued at HK\$1,000; SI/ISI Transactions having values between HK\$2,000 and HK\$2,999 will all be valued at HK\$2,000, et seq. Such SI/ISI Transactions having values between HK\$1,000 and HK\$1,999, et seq., will be settled by reference to matching/affirmation time.
    - (c) SI/ISI Transactions with transaction values below HK\$1,000 are treated as having the same transaction value and are settled in the order of priority based on their position numbers allocated by reference to matching/affirmation time.
- (iv) Overdue SI/ISI Transactions for settlement on the DVP basis are settled before overdue SI/ISI Transactions for settlement on the FOP basis.
- (v) Among overdue SI/ISI Transactions for settlement on the DVP basis, settlement priority shall be based on transaction value.
  - (a) Those with transaction values equal to or above HK\$1 billion are treated as having the same transaction value and settled first in the order of priority based on their position numbers allocated by reference to matching/affirmation time.

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- (b) Those with transaction values below HK\$1 billion and equal to or above HK\$1,000 are settled in the order of priority based on their transaction values. Those with the highest transaction values are settled with priority over those with a lower transaction value. SI/ISI Transactions will be valued in increments of HK\$1,000, to illustrate, SI/ISI Transactions having values between HK\$1,000 and HK\$1,999 will all be valued at HK\$1,000; SI/ISI Transactions having values between HK\$2,000 and HK\$2,999 will all be valued at HK\$2,000, et seq. Such SI/ISI Transactions having values between HK\$1,000 and HK\$1,999, et seq., will be settled by reference to matching/affirmation time.
  - (c) SI/ISI Transactions with transaction values below HK\$1,000 are treated as having the same transaction value and are settled in the order of priority based on their position numbers allocated by reference to matching/affirmation time.
- (vi) Among overdue SI/ISI Transactions for settlement on the FOP basis, settlement priority shall be based on transaction quantity.
- (a) Those with transaction quantities equal to or above 1 billion shares are treated as having the same transaction quantity and settled first in the order of priority based on their position numbers allocated by reference to matching/affirmation time.
  - (b) Those with transaction quantities below 1 billion shares and equal to or above 1,000 shares are settled in the order of priority based on their transaction quantities. Those with the highest transaction quantities are settled with priority over those with a lower transaction quantity. SI/ISI Transactions will be classified in intervals of 1,000 shares, to illustrate, SI/ISI Transactions having transaction quantities between 1,000 and 1,999 shares will all be treated as having a transaction quantity of 1,000 shares; SI/ISI Transactions having transaction quantities between 2,000 and 2,999 shares will all be treated as having a transaction quantity of 2,000 shares, et seq. Such SI/ISI Transactions having transaction quantities between 1,000 and 1,999 shares et seq. will be settled by reference to matching/affirmation time.
  - (c) SI/ISI Transactions with transaction quantities below 1,000 shares are treated as having the same transaction quantity and are settled in the order of priority based on their position numbers allocated by reference to matching affirmation time.
- (vii) Due SI/ISI Transactions for settlement on the RDP basis are settled before due SI/ISI Transactions for settlement on the DVP basis.
- (viii) Among due SI/ISI Transactions for settlement on the RDP basis, settlement priority shall be based on transaction value.

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- (a) Those with transaction values equal to or above HK\$1 billion are treated as having the same transaction value and settled first in the order of priority based on their position numbers allocated by reference to matching/affirmation time.
  - (b) Those with transaction values below HK\$1 billion and equal to or above HK\$1,000 are settled in the order of priority based on their transaction values. Those with the highest transaction values are settled with priority over those with a lower transaction value. SI/ISI Transactions will be valued in increments of HK\$1,000, to illustrate, SI/ISI Transactions having values between HK\$1,000 and HK\$1,999 will all be valued at HK\$1,000; SI/ISI Transactions having values between HK\$2,000 and HK\$2,999 will all be valued at HK\$2,000, et seq. Such SI/ISI Transactions having values between HK\$1,000 and HK\$1,999, et seq., will be settled by reference to matching/affirmation time.
  - (c) SI/ISI Transactions with transaction values below HK\$1,000 are treated as having the same transaction value and are settled in the order of priority based on their position numbers allocated by reference to matching/affirmation time.
- (ix) Due SI/ISI Transactions for settlement on the DVP basis are settled before due SI/ISI Transactions for settlement on the FOP basis.
- (x) Among due SI/ISI Transactions for settlement on the DVP basis, settlement priority shall be based on transaction value.
- (a) Those with transaction values equal to or above HK\$1 billion are treated as having the same transaction value and settled first in the order of priority based on their position numbers allocated by reference to matching/affirmation time.
  - (b) Those with transaction values below HK\$ 1 billion and equal to or above HK\$1,000 are settled in the order of priority based on their transaction values. Those with the highest transaction values are settled with priority over those with a lower transaction value. SI/ISI Transactions will be valued in increments of HK\$1,000, to illustrate, SI/ISI Transactions having value between HK\$1,000 and HK\$1,999 will all be valued at HK\$1,000; SI/ISI Transactions having values between HK\$2,000 and HK\$2,999 will all be valued at HK\$2,000, et seq. Such SI/ISI Transactions having values between HK\$1,000 and HK\$1,999 et seq., will be settled by reference to matching/affirmation time.
  - (c) SI/ISI Transactions with transaction values of less than HK\$1,000 are treated as having the same transaction value and are settled in the order of priority

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based on their position numbers allocated by reference to matching/affirmation time.

- (xi) Among due SI/ISI Transaction for settlement on the FOP basis, settlement priority shall be based on transaction quantity.
  - (a) Those with transaction quantities equal to or above 1 billion shares are treated as having the same transaction quantity and settled first in the order of priority based on their position numbers allocated by reference to matching/affirmation time.
  - (b) Those with transaction quantities below 1 billion shares and equal to or above 1,000 shares are settled in the order of priority based on their transaction quantities. Those with the highest transaction quantities are settled with priority over those with a lower transaction quantity. SI/ISI Transactions will be classified in intervals of 1,000 shares, to illustrate, SI/ISI Transactions having transaction quantities between 1,000 and 1,999 shares will all be treated as having a transaction quantity of 1,000 shares; SI/ISI Transactions having transaction quantities between 2,000 and 2,999 shares will all be treated as having a transaction quantity of 2,000 shares, et seq. Such SI/ISI Transactions have transaction quantities between 1,000 and 1,999 shares, et seq., will be settled by reference to matching/affirmation time.
  - (c) SI/ISI Transactions with transaction quantities below 1,000 shares are treated as having the same transaction quantity and settled in the order of priority based on their position numbers allocated by reference to matching/affirmation time.

No partial settlement in respect of Isolated Trades (including Clearing Agency Transactions), ISI and SI Transactions will be allowed in a Batch-settlement-run. The available stock balance in a Stock Clearing Account will be used to settle in full any other delivery position with a lower priority.

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

- (i) Buy-ins for Eligible Securities other than China Connect Securities (to be settled under the Isolated Trades System);
- (ii) CNS stock positions, including Buy-ins for China Connect Securities (priority by reference to age);
- (iii) Isolated Trades including Clearing Agency Transactions (priority by reference to age, then highest position price, then smallest position size and then random); and

- (iv) SI/ISI Transactions (priority by reference to due/overdue status, then payment method RDP/DVP/FOP, then highest transaction value, then highest transaction quantity and then time of matching/affirmation).

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

#### (a) Example of processing sequence of short positions

Participant A has the following delivery positions in stock X to be settled in a Batch-settlement-run on S-day :

Transaction	Due date of settlement	Age	Quantity	Position price	Time of matching (if any)
CNS1	S-1	1	1,000	\$1.10	
CNS2	S	0	4,000	\$1.10	
SI1	S	0	5,000	\$1.25	11:30 a.m. (on S-day)
SI2	S	0	2,000	\$1.30	2:00 p.m. (on S-day)
IT1	S-1	1	1,000	\$1.20	
IT2	S-2	2	600	\$1.00	
IT3	S	0	400	\$1.30	
IT4	S-2	2	100	\$1.00	
IT5*	S-1	1	500	\$1.23	
IT6***	S	0	400	\$1.30	
IT7**	S	0	1,000	\$1.10	
			----- 16,000 =====		

\* IT5 is a position already partially settled by a DI on a FOP basis. Participant A opts to rely on Batch-settlement-runs to effect settlement of the remaining stock position of 500. Settlement of this partially settled position will be on an FOP basis under a Batch-settlement run. However, the position price of IT5 is still relevant to the processing sequence in a Batch-settlement-run.

\*\* IT7 is a Buy-in trade.

\*\*\* IT6 is a Clearing Agency Transaction. Other ITs are Exchange Trades.

Based on the processing sequence described in Section 13.3.4, the settlement sequence in respect of the delivery positions of Participant A in stock X will be :

Settlement order	Transaction	Age	Quantity	Position price	Reasons
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1.	IT7	0	1,000	\$1.10	Highest priority for Buy-in
2.	CNS1	1	1,000	\$1.10	2nd priority for CNS (age)
3.	CNS2	0	4,000	\$1.10	CNS
4.	IT4	2	100	\$1.00	3rd priority for IT (age & size)
5.	IT2	2	600	\$1.00	Age
6.	IT5	1	500	\$1.23	Age & price
7.	IT1	1	1,000	\$1.20	Age
8.	IT6	0	400	\$1.30	Random
9.	IT3	0	400	\$1.30	Random
10.	SI1	0	5,000	\$1.25	4th priority for SI (transaction value)
11.	SI2	0	2,000	\$1.30	Transaction values

If Participant A has only 3,500 stock X in its Stock Clearing Account at the time of the Batch-settlement-run (instead of 16,000), full settlement of IT7 and CNS1 will be effected and a partial settlement of the CNS2 will be effected.

If there are only 7,000 stock X available in Participant A's Stock Clearing Account at the time of the Batch-settlement-run, settlement of IT7, CNS1, CNS2, IT4 and IT2 will be effected. The remaining 300 stock X in Participant A's Stock Clearing Account will not be used to settle the other outstanding delivery positions as partial delivery is not allowed for Isolated Trades and SI/ISI Transactions included in a Batch-settlement-run.

If instead 7,100 stock X were available, the remainder of 400 stock X in Participant A's Stock Clearing Account following settlement of IT7, CNS1, CNS2, IT4 and IT2, would then be used to settle IT6 (in preference to IT5 and IT1, as no partial settlement of Isolated Trades is allowed in a Batch-settlement-run).

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

Participant A has the following delivery positions of SI Transactions in stock X to be settled in a Batch-settlement-run on S-day.

Transaction	Due Date of Settlement	Age	Transaction Quantity	Transaction Value	Time of Matching
SI1	S-4	4	1,000	\$1,100	11:30 a.m. on S-1
SI2	S-2	2	1,000	\$1,100	11:30 a.m. on S-2
SI3	S-2	1	1,000	\$3,000	2:30 p.m. on S-1
SI4	S-1	1	1,000,000,000	\$1,200,000,000	11:30 a.m. on S-1
SI5	S-1	1	1,500,000,000	\$2,000,000,000	2:30 p.m. on S-1



SI6	S-1	1	1,000	\$2,500	11:30 a.m. on S-1
SI7	S-1	1	5,000	\$0	11:30 a.m. on S-1
SI8	S-1	1	7,000	\$0	11:30 a.m. on S-1
SI9	S	0	1,000	\$1,200	11:30 a.m. on S-1
SI10	S	0	3,000	\$5,000	11:30 a.m. on S-1
SI11	S	0	4,500	\$4,500	2:30 p.m. on S-1
SI12	S	0	4,000	\$3,000	11:30 a.m. on S-1
SI13	S	0	4,100	\$3,100	2:30 p.m. on S-1
SI14	S	0	5,000	\$0	2:30 p.m. on S-1
SI15	S	0	6,000	\$0	2:30 p.m. on S-1
SI16	S	0	5,000	\$0	11:30 a.m. on S-1
SI17	S	0	1,200,000,000	\$0	2:30 p.m. on S-1
SI18	S	0	1,100,000,000	\$0	11:30 a.m. on S-1

Based on the processing sequence described in Section 13.3.4, the settlement sequence in respect of the delivery positions of Participant A in stock X will be:

Settlement Order	Transaction	Age	Transaction Quantity	Transaction Value	Reasons
1.	SI4	1	1,000,000,000	\$1,200,000,000	Overdue, DVP, highest transaction value, earlier matching time
2.	SI5	1	1,500,000,000	\$2,000,000,000	Overdue, DVP, highest transaction value, later matching time
3.	SI3	1	1,000	\$3,000	Overdue, DVP, 2nd highest transaction value
4.	SI6	1	1,000	\$2,500	Overdue, DVP, 3rd highest transaction value
5.	SI2	2	1,000	\$1,100	Overdue, DVP, 4th highest transaction value, earlier matching time
6.	SI1	4	1,000	\$1,100	Overdue, DVP, 4th highest transaction value, later matching time
7.	SI8	1	7,000	\$0	Overdue, FOP, highest transaction quantity
8.	SI7	1	5,000	\$0	Overdue, FOP, 2nd highest transaction quantity
9.	SI10	0	3,000	\$5,000	Due, DVP, highest transaction value
10.	SI11	0	4,500	\$4,500	Due, DVP, 2nd highest transaction

11.	SI12	0	4,000	\$3,000	value Due, DVP, 3rd highest transaction value, earlier matching time
12.	SI13	0	4,100	\$3,100	Due, DVP, 3rd highest transaction value, later matching time
13.	SI9	0	1,000	\$1,200	Due, DVP, 4th highest transaction value
<b>Settlement Order</b>	<b>Transaction</b>	<b>Age</b>	<b>Transaction Quantity</b>	<b>Transaction Value</b>	<b>Reasons</b>
14.	SI18	0	1,100,000,000	\$0	Due, FOP, highest transaction quantity, earlier matching time
15.	SI17	0	1,200,000,000	\$0	Due, FOP, highest transaction quantity, later matching time
16.	SI15	0	6,000	\$0	Due, FOP, 2 <sup>nd</sup> highest transaction quantity
17.	SI16	0	5,000	\$0	Due, FOP, 3 <sup>rd</sup> highest transaction quantity, earlier matching time
18.	SI14	0	5,000	\$0	Due, FOP, 3 <sup>rd</sup> highest transaction quantity, later matching time

### 13.3.6 Receipt - processing sequence of long positions

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

Except for CNS stock positions, other transactions included in a Batch-settlement-run (i.e. Isolated Trades (including Clearing Agency Transactions), ISI Transactions and SI Transactions) will be settled on a trade-for-trade basis. Accordingly, there is no processing sequence as such and Participants to Isolated Trades (including Clearing Agency Transactions), ISI Transactions and SI Transactions will receive Eligible Securities in a Batch-settlement-run (or after payment is confirmed from the Clearing House of HKAB in the case of RDP transactions) as and when their counterparty Participants settle delivery stock positions included in a Batch-settlement-run.

## 13.4 ALLOCATION ALGORITHM FOR LONG CNS STOCK POSITIONS

### 13.4.1 Allocation algorithm

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

- (i) age (oldest) - the long CNS stock position which has remained unsettled for the longest period of time; and if this is the same for two CNS stock positions, then
- (ii) position price (highest) - the long CNS stock position which has the highest position price (i.e. position amount divided by position quantity); and if this is the same for two CNS stock positions, then
- (iii) position size (smallest) - the long CNS position which has the smallest position size (i.e. quantity); and if this is the same for two CNS stock positions, then
- (iv) random.

At any time, one Participant may have received partial delivery in respect of its long CNS stock position in a particular Eligible Security.

#### 13.4.2 Example (Allocation algorithm for CNS long stock positions)

Participants A, B and C have the following long CNS stock positions in stock X on S-day:

Participant	Due day of settlement	Age	Position	Position price
A	S-1	1	1,000	\$1.2
B	S-2	2	600	\$1.0
	S	0	400	\$1.3
C	S-2	2	100	\$1.0
	S-1	1	500	\$1.0
	S	0	400	\$1.3
			-----	
			<u>3,000</u>	

The order of allocation by HKSCC if 3,000 stock X are available will be :

Allocation order	Participant	Age	Position Price	Position	Reason(s)
1	C	2	\$1.0	100	Age & size
2	B	2	\$1.0	600	Age
3	A	1	\$1.2	1,000	Age & price
4	C	1	\$1.0	500	Age
5	B	0	\$1.3	400	Random

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6	C	0	\$1.3	400	Random
				-----	
				<u>3,000</u>	

If only 2,800 stock X are available for allocation by HKSCC, Participant C will receive 200 stock X only in respect of its CNS stock position of 400 due on S-day.

### 13.5 ENQUIRIES AND REPORTS

CCASS provides reports and statements and on-line enquiry to assist Participants to prepare for settlement and to control and reconcile transactions effected.

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

### 13.6 CANCELLING STOCK POSITIONS

#### 13.6.1 Eligible Securities becoming non-eligible

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

For the avoidance of doubt, the cancellation of stock positions in CCASS by HKSCC will not on its own affect the rights and liabilities of the Participants affected.

In relation to the CNS System, it is unlikely that there will be unsettled CNS stock positions as a result of Eligible Securities becoming non-eligible. Normally, Exchange Trades in an Eligible Security which will become non-eligible will no longer be accepted for settlement under the CNS System with effect from six Settlement Days before the last trading day of such Eligible Securities (on the Exchange, if applicable). In the unlikely event of there being unsettled CNS stock positions following an Eligible Security becoming non-eligible, HKSCC will follow up with the Participants concerned.

In relation to the Isolated Trades System, Participants having unsettled stock positions as a result of Eligible Securities becoming non-eligible will have to follow up with one another in order to cancel unsettled stock positions in CCASS.

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

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case by case basis) from the date the relevant Eligible Security becomes non-eligible.

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

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

#### **13.6.2 Termination of participation of a Participant**

In the event of termination of participation of a Participant in CCASS, HKSCC may on its own accord cancel unsettled stock positions of such Participants as well as the related stock positions of the relevant counterparty Participants, if any.

#### **13.6.3 Others**

In the other cases, Participants may also apply to HKSCC to cancel unsettled stock positions and this will be subject to the approval of HKSCC. HKSCC also reserves the rights to cancel unsettled stock positions after a period of time (to be decided by HKSCC on a case by case basis).

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## **Section 14**

### **CCASS Money Settlement**

#### **14.1 SCOPE OF MONEY SETTLEMENT SERVICES**

##### **14.1.1 Scope of payments**

CCASS caters for settlement of transactions either on a DVP basis or FOP basis. However, settlement of ISI or SI transactions can also be made on a RDP basis.

Other than in relation to settlement of transactions in CCASS on a DVP or RDP basis, CCASS money settlement also caters for payment of sums to or by Participants in relation to nominee and similar services provided by HKSCC, the payment of fees and expenses by Participants for CCASS services, payments in relation to risk management measures by HKSCC for the CNS System and payment of other sums to be paid to or by Participants under CCASS.

##### **14.1.2 HKSCC's role**

HKSCC plays two different roles in relation to CCASS money settlement :

- (i) as counterparty in relation to sums due or payable (a) between HKSCC and Participants (e.g. under the CNS System or in relation to nominee or tender services) and (b) between HKSCC (in its capacity as TSF operator) and TSF CCASS Participants (e.g. in relation to the settlement of TSF FX Transactions and Stock Release FX Transactions);
- (ii) as facilitator in relation to sums due or payable by or to Participants themselves in relation to settlement of trade-for-trade transactions on a DVP or RDP basis;
- (iii) as facilitator in relation to payment and refund of application or tender monies between Participants and issuers in relation to Tender Instructions; and
- (iv) as facilitator in relation to payment of money by Clearing Participants or Custodian Participants to their SSA Statement Recipients pursuant to STI Transfers on a DVP basis.

#### **14.2 DESIGNATED BANKS AND AUTHORISATION FORMS**

##### **14.2.1 Designated Bank Accounts**

For effecting CCASS money settlement, each Participant must maintain a General Purpose Designated Bank Account in its own name and denominated in Hong Kong dollar (which may be a current account or other account approved by HKSCC from time to time) with a Designated Bank. Each Participant which wishes to settle money obligations in CCASS in an Eligible Currency other than Hong Kong dollar must maintain a Designated Bank Account in its own name and denominated in that Eligible Currency for the settlement of

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money obligations in CCASS.

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 dollar:-

- (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.

All Participants must obtain their Designated Banks' and HKSCC's prior written approval for their use of their Designated Bank Accounts for CCASS money settlement.

Where a Clearing Participant is in the process of opening a bank account in an Eligible Currency (other than Hong Kong dollars) for CCASS money settlement purposes, the Clearing Participant shall make payment directly to HKSCC's stated foreign currency bank account at or before a stated time as prescribed by HKSCC. HKSCC shall make payments to the Clearing Participant by telegraphic transfer or paper cheques or such other means as are considered appropriate by HKSCC.

#### **14.2.2 Lists of Designated Banks**

Separate lists of banks which are approved by HKSCC as Designated Banks for Participants (other than Investor Participants) and for Investor Participants, are published by HKSCC from time to time and are available from HKSCC upon request.

#### **14.2.3 Conditions for becoming a Designated Bank**

HKSCC shall approve a bank as a Designated Bank if the bank fulfils the following conditions:-

- (i) it is a licensed bank or a restricted licence bank under the Hong Kong Banking Ordinance;
- (ii) it agrees to install a CCASS Terminal maintaining electronic linkage with CCASS and HKSCC;
- (iii) it has completed the necessary set-up and testing procedures (with the Clearing House of HKAB for the relevant Eligible Currency) in order for the bank to be identified or accepted as a Designated Bank to receive the CCASS money settlement files and/or reports daily;
- (iv) where the bank agrees to provide money settlement of CCASS transactions via CPIs as a Designated Bank, it has completed the necessary technical set-up procedures as prescribed by the Clearing House of HKAB for the relevant Eligible Currency from time to time for effecting CCASS-related CHATS payment;
- (v) in relation to the bank's application to act as a Designated Bank for Participants other than Investor Participants, it has duly completed and submitted the required

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application documents, including an undertaking in favour of HKSCC in the form prescribed by HKSCC, by which it undertakes to issue to HKSCC a confirmation by no later than the time or times stipulated in the undertaking, or such later time or times as is or are specified by HKSCC, through its CCASS Terminal and on all Business Days stating details of any DDIs, DCIs and EPIs drawn on or paid to and rejected by it (see Sections 14.4.3 and 14.5.3 below); and

- (vi) in relation to the bank's application for acting as Designated Bank for Investor Participants, it has duly completed and submitted the required application documents, including an undertaking in favour of HKSCC in the form prescribed by HKSCC, by which it undertakes to issue to HKSCC a confirmation by 2:30 p.m. or such later time or times as is or are specified by HKSCC, through its CCASS Terminal and on all Business Days, stating details of any DDIs and debit EPIs which are generated from ISI Transactions to be settled on a DVP basis with the application of on hold mechanism, drawn on and rejected by it.

#### **14.2.4 Forms to be completed**

In order that a Participant can use its Designated Bank Account(s) for CCASS money settlement, it has to complete and submit such debit authorisations and authorisations to disclose information as HKSCC may prescribe from time to time to HKSCC for processing. Such debit authorisations and authorisations to disclose information include the following:

- (i) Direct Debit Authorisation.

By giving this authorisation a Participant authorises its Designated Bank to accept debit instructions from HKSCC by way of DDIs in order to effect payment to HKSCC. Further, a Participant will authorise its Designated Bank to give confirmation of payments to HKSCC (see below);

- (ii) Debit Authorisation for Electronic Payment Instruction.

By giving this authorisation, a Participant authorises its Designated Bank to accept debit instructions from HKSCC by way of EPIs (see below), to effect payment to HKSCC or other Participants; and

- (iii) Debit Authorisation for Clearing House Automated Transfer System ("CHATS") Payment Instructions.

By giving this authorization, a Participant that opts for money settlement via CPIs in CCASS authorises its Designated Bank to accept debit instructions from HKSCC by way of CPIs (see below) in order to effect CHATS payment to HKSCC or other Participants.

#### **14.2.5 Changes**

Save with the prior written approval of HKSCC, a Participant shall not close or change its Designated Bank Account(s) (or modify the authority of HKSCC in respect thereof) or change its Designated Bank(s). Participants intending to make such changes should complete and submit the prescribed forms to HKSCC.



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**14.2.6 [Repealed]****14.3 INSTRUCTIONS BY HKSCC TO DESIGNATED BANKS****14.3.1 The Clearing House of HKAB for each Eligible Currency**

CCASS money settlement involves HKSCC issuing instructions to the Designated Banks of Participants to cause credits and debits to be made to the Designated Bank Accounts of Participants.

HKSCC's payment instructions to Designated Banks in relation to DDIs, DCIs and EPIs are sent directly by HKSCC through the Clearing House of HKAB for the relevant Eligible Currency. CPIs are sent by HKSCC to Designated Banks via CCASS Terminals or, in the case of mechanical breakdown, computer or system failures or failures of communication media or any other force majeure reasons, by such other means as are agreed between the Designated Banks and HKSCC. HKSCC's Intra-day Payment Instructions are sent to Designated Banks by HKSCC's banker on HKSCC's behalf, or by HKSCC through the Clearing House of HKAB, in respect of certain Hong Kong dollar money obligation, as applicable.

**14.3.2 Types of instructions**

There are four different types of instructions issued by HKSCC to Designated Banks of Participants, namely:

- (i) "Direct Debit Instructions" or "DDIs" or "Direct Credit Instructions" or "DCIs";
- (ii) "Electronic Payment Instructions" or "EPIs";
- (iii) CHATS Payment Instructions or "CPIs"; and
- (iv) Intra-day Payment Instructions or "IPIs".

The use of these different types of instructions is explained further in Sections 14.4 to 14.8.

**14.3.3 Amounts arising out of transactions settled in CCASS**

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

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

- (i) for CNS stock positions of a Clearing Participant or Clearing Agency Participant arising from Exchange Trades, settled on each Settlement Day, the related money positions will be set-off against each other and the net sum, subject to (iv) below, due from or to the Clearing Participant or Clearing Agency Participant will be settled by HKSCC issuing a DDI or a DCI to the Designated Bank of the Clearing Participant or

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Clearing Agency Participant (see Section 10.5.6 and Section 14.4);

- (ia) for CNS stock positions of a China Connect Clearing Participant arising from China Connect Securities Trades, settled on each Settlement Day, the related money positions for all the China Connect Markets will be set-off against each other and the net sum will be settled by HKSCC issuing a CPI to the Designated Bank of the China Connect Clearing Participant or a bank designated by HKSCC (see Section 10A.4 and Section 14.7) on T+1 day;
- (ib) for fees, expenses, levies and taxes relating to China Connect Securities Trades to be settled by a China Connect Clearing Participant on each Mainland Business Day, including those collected by HKSCC on behalf of the relevant China Connect Clearing House, China Connect Market, regulatory or tax authority or relevant third parties, HKSCC will issue debit entries to the respective sub-accounts of the Money Ledger of the China Connect Clearing Participant;
- (ii) for Exchange Trades of a Clearing Participant settled under the Isolated Trades System on a DVP basis, on each Settlement Day, in respect of each such Exchange Trade settled under the Isolated Trades System, HKSCC will issue an EPI for the amount (as notified by the Exchange as the price for such Exchange Trade) to each of the Designated Banks of the two Clearing Participants concerned in each case, so as to effect payment by the Clearing Participant receiving Eligible Securities to the delivering Clearing Participant (see Section 14.5). The EPIs issued for each Exchange Trade in interest bearing Debt Securities will include the accrued interest;
- (iii) for ISI or SI Transactions of a Participant settled on a DVP basis on each Settlement Day, in respect of each such ISI or SI Transaction, HKSCC will issue an EPI for the amount (as detailed in the ISIs or SI relating to the ISI or SI Transaction respectively) to each of the Designated Banks of the two Participants concerned in each case, so as to effect payment by the Participant receiving Eligible Securities to the delivering Participant (see Section 14.5);
- (iv) for Clearing Agency Transactions between Clearing Agency Participants and Participants settled under the CNS System on each Settlement Day, the related money positions will be set-off against each other and further set-off against any money positions of the CNS stock positions arising from Exchange Trades of such Participants. The net sum due from or to the Participants will be settled by HKSCC issuing a DDI or DCI to the Designated Bank of the Participant (see section 12.2.6 and section 14.4). For Clearing Agency Transactions between Clearing Agency Participants and Participants settled under the Isolated Trades System on a DVP basis, on each Settlement Day, in respect of each such Clearing Agency Transaction, HKSCC will issue an EPI for the amount (as notified by the Clearing Agency Participants as the price for such Clearing Agency Transactions) to each of the Designated Banks of the two Participants concerned in each case, so as to effect payment by the Participant receiving Eligible Securities to the delivering Participant (see Section 14.5) ; and
- (v) for STI Transfers of a Clearing Participant or a Custodian Participant effected on a DVP basis on each Business Day, in respect of each such STI Transfer, HKSCC will issue an EPI for the amount (as detailed in the STI) to the Designated Bank of the Clearing Participant or Custodian Participant and the receiving bank of the SSA

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Statement Recipient concerned, so as to effect payment by the Clearing Participant or Custodian Participant to its SSA Statement Recipient in respect of the transfer of Eligible Securities from the SSA with Statement Service to another Stock Account of the Clearing Participant or Custodian Participant.

For ISI or SI transactions of a Participant to be settled on a RDP basis on each Settlement Day, subject to availability of Eligible Securities in respect of such ISI or SI transactions, HKSCC will issue a CPI for the amount (as detailed in the ISIs or SIs relating to the ISI or SI transactions respectively) to the Designated Banks of the receiving Participant concerned in each case, so as to effect CHATS payment to the delivering Participant. Upon receipt of confirmation of payment from the Clearing House of HKAB for the relevant Eligible Currency, delivery of Eligible Securities takes place immediately on-line in CCASS.

For any cash prepayment request or intra-day marks of a Clearing Participant to be settled via CPIs on each Business Day, HKSCC will issue a CPI for the amount to the Designated Bank of the paying Participant, so as to effect CHATS payment to the respective bank account of HKSCC or the HKSCC HKD RTGS Account, as applicable.

For any accepted Intra-day Payment Standing Instruction covering intra-day refund to a Clearing Participant of surplus cash arising from overpaid cash prepayment and/or intra-day settlement of money obligations due to Clearing Participants from HKSCC under the CNS System on a Settlement Day, HKSCC will issue an Intra-day Payment Instruction covering the amount (as stated in the "Enquire Intra-Day Payment Summary" in CCASS Terminal) of the surplus cash refund and/or intra-day settlement of money obligations due to the Clearing Participant from HKSCC under the CNS System included in the Intra-day Payment to the Designated Bank of the Clearing Participant to effect intra-day payment on each Settlement Day (See Section 14.8).

#### **14.3.3A Amounts arising out of settlement of Transfer Instruction in CMU**

In respect of the settlement of Transfer Instruction to be effected between CCASS and CMU on a delivery versus payment basis in CMU with payment to be received by HKSCC, HKSCC will normally issue a credit entry to the Money Ledgers of the Participant delivering Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments to be settled against its Designated Bank Accounts so as to effect payment to the Participant on the same day as the date of receipt of the payment by HKSCC.

#### **14.3.4 Amounts arising out of nominee services**

The amounts to be debited or credited to the Designated Bank Accounts of Participants in relation to nominee and similar transactions effected by HKSCC have been explained elsewhere (see Sections 8.7 to 8.21, 8.25 and 8.26). In brief, they arise from the following types of corporate actions:

- (i) for payments of dividends in an Eligible Currency, HKSCC will normally issue credit entries to the Participants' Money Ledgers to be settled against the Designated Bank Accounts of the Participants entitled to such dividends on the same day depending on the time of payment received by HKSCC;
- (ii) for subscription of rights shares and excess shares in relation to PALs where the subscription monies are payable in an Eligible Currency, HKSCC will issue debit entries to the Participants' Money Ledgers in respect of the appropriate subscription monies upon receipt of the rights subscription and/or excess shares application instructions via CCASS Terminals or via the CCASS Phone System or the CCASS

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Internet System for settlement via the relevant Participants' Designated Bank Accounts on the same day via DDIs or CPIs;

- (iii) for subscription of new shares and excess shares under open offers where the subscription monies are payable in an Eligible Currency, HKSCC will issue debit entries to the Participants' Money Ledgers concerned in respect of the appropriate subscription monies together with subscription charges such as brokerage, transaction levy and the Exchange's trading fee upon receipt of the subscription of open offers and excess shares application instructions via CCASS Terminals or the CCASS Phone System or the CCASS Internet System as appropriate for settlement via the relevant Participants' Designated Bank Accounts on the same day via DDIs or CPIs;
- (iv) for subscription of shares on exercise of warrants where the subscription monies are payable in an Eligible Currency, HKSCC will issue debit entries to the Participants' Money Ledgers concerned in respect of the appropriate subscription monies and conversion charges upon receipt of the warrant conversion instructions via CCASS Terminals or the CCASS Phone System or the CCASS Internet System as appropriate for settlement via the relevant Participants' Designated Bank Accounts on the same day via DDIs or CPIs. HKSCC will issue debit entries regarding the ad valorem stamp duty payable on the conversion of the warrants upon notification from the Issuer or its agent or representative of the amount of ad valorem stamp duty levied;
- (v) for payments of cash consideration in an Eligible Currency to Participants that accept a take-over offer which is successful, HKSCC will issue credit entries to the Participants' Money Ledgers on the same day if payments are received by HKSCC at or before 3:45 p.m. on that day;
- (vi) for refund of surplus subscription monies in an Eligible Currency received by HKSCC from the issuers of the relevant Eligible Securities in respect of unsuccessful open offers, excess shares applications under rights issues and/or open offers, HKSCC will issue credit entries to the Participants' Money Ledgers on the same day or the next Business Day depending on the time of receipt of payment by HKSCC;
- (vii) for payments of principal or interest accruing to eligible Debt Securities in an Eligible Currency, HKSCC will normally issue credit entries to the Participants' Money Ledgers to be settled against the Designated Bank Accounts of the Participants entitled to such interests payments on the same day depending on the time of payment received by HKSCC;
- (viii) for subscription of shares in relation to eligible convertible Debt Securities where subscription monies are payable in an Eligible Currency, HKSCC will issue debit entries to the Participants' Money Ledgers concerned in respect of the appropriate subscription monies and conversion charges, if applicable, upon receipt of the Debt Securities conversion instructions via CCASS Terminals for settlement via the relevant Participants' Designated Bank Accounts on the same day via DDIs or CPIs;

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- (ix) for disbursement charges in an Eligible Currency resulting from corporate activities in relation to eligible Debt Securities, HKSCC will issue debit entries to the Participants' Money Ledgers upon distribution of the share/cash entitlements by HKSCC;
  - (x) [Repealed]
  - (xi) for payment of tender monies or application monies in an Eligible Currency in respect of Tender Instructions, HKSCC will effect debit payments from the Participants' Designated Bank Accounts on the day which is two Business Days before the tender day of the relevant Exchange Fund Notes or Specified Instruments or on the closing date of the subscription period of relevant Government Bonds or CMU Instruments. Where the bids for Exchange Fund Notes or Specified Instruments are non-competitive and the initial bid price is lower than the final accepted price, HKSCC will effect debit payments for any shortfall of tender moneys from the relevant Participants' Designated Bank Accounts on the tender day. Where the application price is lower than the subscription price, HKSCC will effect debit payments for any shortfall of application moneys from the relevant Participants' Designated Bank Accounts on the date upon receipt of the allotment results. For refund of tender monies in respect of Tender Instructions for Exchange Fund Notes or Specified Instruments, HKSCC will effect credit payments to the Participants' Designated Bank Accounts on the day which is either one Business Day before the tender day if the HKMA or the relevant Issuer withdraws the tender invitation or if excess monies are to be refunded in respect of cancelled Tender Instructions and, in other cases, on the tender day or as soon as practicable. For refund of application monies in respect of Tender Instructions for Government Bonds or CMU Instruments, HKSCC will effect credit payments to the Participants' Designated Bank Accounts on the day the allotment result is received from the Issuer or its agent or arranger or one Business Day before the closing date if the relevant Issuer withdraws the offer or as soon as practicable;
  - (xii) for payments or refunds in an Eligible Currency in respect of the issue and redemption of Units, HKSCC will follow the procedures set out in the applicable sections of these Operational Procedures; and
  - (xiii) for cash payments relating to Structured Products payable in an Eligible Currency, HKSCC will normally issue credit entries to the Participants' Money Ledgers to be settled against the Designated Bank Accounts of the Participants entitled to such cash payments on the same day depending on the time of receipt of payments by HKSCC. Where applicable, HKSCC will issue debit entries regarding the ad valorem stamp duty payable on the underlying securities of the Structured Products and any other expenses payable in connection with any scrip and/or cash payment distributed in respect of the Structured Products upon notification from the issuer or its agent of the amount of ad valorem stamp duty levied and/or any other relevant expenses charged.

The debit or credit entries, except payments in respect of Tender Instructions referred to in Section 14.3.4(xi) above, are posted to the Entitlements Accounts of the Participants' Money Ledgers.

For any accepted Intra-day Payment Standing Instruction covering intra-day payment to a Participant other than an Investor Participant of cash payments arising out of nominee services on a Business Day, HKSCC will issue an Intra-day Payment Instruction covering

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the amount (as stated in the “Enquire Intra-Day Payment Summary” in CCASS Terminal) of the cash payments included in the Intra-day Payment to the Designated Bank of the Participant to effect intra-day payment of the amount to the Designated Bank Account of the Participant on each Business Day (See Section 14.8).

Where HKSCC accepts a Nominee Payment (Evening) Standing Instruction requested by a Participant other than an Investor Participant, it will generate a DCI to effect the evening distribution of the relevant amount of cash payments arising from nominee services in the relevant Eligible Currency to the Designated Bank Account of the Participant not later than day end on each Business Day (see Section 8.26).

Subject as aforesaid, HKSCC will, at day end on each Business Day, on the basis of the account balance, generate DDIs/DCIs/EPIs for settlement via Participants’ Designated Bank Accounts (see Sections 14.4 and 14.5).

For subscription instructions which involve the collection of subscription monies via CPIs, HKSCC will, on the basis of such instructions, generate CPIs for settlement via Participants’ Designated Bank Accounts during the day (see Section 14.7).

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

#### **14.3.5 Amount arising out of CCASS services to Investor Participants**

Fees and expenses payable by Investor Participants for CCASS services will be collected from Investor Participants in Hong Kong dollars through the generation of DDIs by HKSCC on a monthly basis. Dividend collection fees and interest collection fees will be collected by HKSCC in the Eligible Currencies in which the relevant securities are denominated and deducted by HKSCC at source before payment.

A monthly statement will be mailed to the Investor Participants at the beginning of each month setting out the previous month’s transactions and will also be posted on the CCASS Internet System (see section 16.6.2). The monthly statement will not be mailed to an Investor Participant who has elected to enquire the details of the statement through the CCASS Internet System.

#### **14.3.6 Amount arising out of CCASS services in relation to SSA with Statement Service**

Fees and expenses arising out of CCASS services in relation to SSA with Statement Service of a Clearing Participant or a Custodian Participant (including but not limited to those arising from CCASS services to SSA Statement Recipients for the account of the Participant) are payable by the Participant and will be collected from the Participant in Hong Kong dollars on a monthly basis through the generation of EPIs by HKSCC.

#### **14.3.7 Amounts arising out of FX Services**

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The amounts in HKD or RMB to be debited and credited to Designated Bank Accounts of a TSF CCASS Participant in relation to TSF FX Transactions and Stock Release FX Transactions are explained in Sections 12A.4 and 12A.6. In brief,

- (i) in respect of TSF FX Transactions, HKSCC will generate DDIs, DCIs and/or CPIs to the Designated Bank of the TSF Clearing Participant for settlement of the Participant's TSF Final FX Positions as determined by HKSCC pursuant to Section 12A.3.5 on each Settlement Day; and
- (ii) for Stock Release FX Transactions, HKSCC will generate DCIs and CPIs to the Designated Bank of the TSF CCASS Participant for settlement of the aggregate payment amounts due from or to the Participant, as determined by HKSCC pursuant to Section 12A.6.3(i).

## **14.4 DDIs AND DCIs**

### **14.4.1 Usage**

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

### **14.4.2 Procedures**

The following is a brief description of the procedures relating to DDIs/DCIs issued by HKSCC:

- (i) periodically, based on the balance of the relevant sub-accounts of the Money Ledger of Participants (i.e. the Settlement Account, the Marks and Margin Account, the Entitlements Account, and the Miscellaneous Account), HKSCC will generate DDIs/DCIs to collect or pay sums from or to Participants for value on the same day. Subject to HKSCC's right to offset credit and debit balances in the sub-accounts of the Money Ledger of a Participant, relevant DDIs or DCIs will be generated by HKSCC in respect of balances in the sub-accounts of the Money Ledger of the Participant as follows:
  - in respect of the Settlement Account, on each Settlement Day; and
  - in respect of the Marks and Margin Account, the Entitlements Account and the Miscellaneous Account, on each Business Day;
- (ii) except for balances in the Entitlements Account and the Billing Account, HKSCC will normally offset the credit and debit balances in the sub-accounts of the Money Ledgers of Participants before issuing relevant DDIs or DCIs (usually, the credit

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balances in the sub-accounts of the Money Ledger will be applied in the following order, namely, Miscellaneous Account, Settlement Account and the Marks and Margin Account);

- (iii) the DDIs/DCIs, so generated by HKSCC on each day for same day settlement and for settlement on the next Business Day, are forwarded to the Clearing House of HKAB for the relevant Eligible Currency by HKSCC. Special arrangements have been made by HKSCC with the Clearing House of HKAB for each relevant Eligible Currency pursuant to which extra clearing runs will be conducted by that Clearing House and files and/or reports will be provided to the Designated Banks of Participants by that Clearing House on the same day;
- (iv) Designated Banks will be able to obtain via their CCASS Terminals and Participant Gateways details of DDIs/DCIs affecting the Participants they act for, which will be contained in (a) the “DDI/DCI/EPI Listing for Designated Bank” and the “DDI/DCI/EPI Exception Report” or (b) the “DDI/DCI/EPI Listing for IP Related Transactions”, as the case may be (see Section 16.7). Designated Banks will reconcile the details with the information they received from the Clearing House of HKAB for the relevant Eligible Currency and will report any discrepancies to HKSCC for clarification;
- (v) The “Statement of Money Ledger” and “DDI/DCI/EPI Summary for Participant” (see Section 16.6), containing details of the DDIs/DCIs issued by HKSCC, will be available to Participants other than Investor Participants via their CCASS Terminals and Participant Gateways. In the case of Investor Participants, activity statements containing the relevant information will be posted on the CCASS Internet System and the activity statements will also be mailed to Investor Participants who have elected to receive their activity statements by mail on the Business Day following the issue of DDIs/DCIs by HKSCC (see Section 16.6.2). Activity statements will not be mailed to Investor Participants who have not elected to receive their activity statements by mail and such Investor Participants should enquire the details of their activity statements through the CCASS Internet System; and
- (vi) Designated Banks of Participants are required to confirm to HKSCC via their CCASS Terminals (a) the payment status of DDIs and DCIs affecting Participants other than Investor Participants and (b) the payment status of DDIs affecting Investor Participants, at the time or times and in the manner as set out in Section 14.4.3.

In addition to the above procedures, Designated Banks must follow the prescribed procedures of the Clearing House of HKAB for each Eligible Currency in relation to DDIs/DCIs.

#### **14.4.3 Payment confirmation by Designated Banks**

- (i) As mentioned, where HKSCC approves a bank as a Designated Bank, the Designated Bank is required to enter into an undertaking in favour of HKSCC. In the undertaking, a Designated Bank is required to issue to HKSCC a confirmation via its CCASS Terminal if any payments to be debited from or credited to the Designated Bank Account of a Participant in respect of any DDIs and/or DCIs issued by HKSCC have not been or cannot be effected by the Designated Bank.
- (ii) In this Section 14.4.3, “payment confirmation” means a confirmation issued by Designated Banks to HKSCC via their CCASS Terminals stating or confirming that:
  - (a) payments to be made out of the Designated Bank Accounts of Participants other



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- than Investor Participants in respect of DDIs issued by HKSCC have not been or cannot be made or effected by Designated Banks;
- (b) payments to be received by the Designated Bank Accounts of Participants other than Investor Participants in respect of DCIs issued by HKSCC have not been or cannot be received or effected by Designated Banks; or
  - (c) payments to be made out of the Designated Bank Accounts of Investor Participants in respect of DDIs issued by HKSCC have not been or cannot be made or effected by Designated Banks.
- (iii) To facilitate the provision of money settlement services by HKSCC to Participants under the Rules, HKSCC has made arrangements with the Clearing House of HKAB to transmit to the Clearing House on each Business Day:
- (a) DDIs and DCIs issued by HKSCC for settlement by all Participants; and
  - (b) amendments to those DDIs and DCIs issued by HKSCC for settlement by Participants other than Investor Participants in respect of which payment confirmations have been issued by Designated Banks to HKSCC pursuant to undertakings made in favour of HKSCC by Designated Banks.
- (iv) The following paragraphs summarise the key obligations of Designated Banks in relation to the issue of payment confirmations relating to DDIs and DCIs for Participants' information.
- (a) For DDIs and DCIs issued by HKSCC for settlement by a Participant other than an Investor Participant on the Business Day following the day of issue of the DDIs and DCIs (the "following Business Day"), if any payment to be debited from or credited to the Designated Bank Account of the Participant have not been or cannot be effected by a Designated Bank, the Designated Bank is required to issue to HKSCC a payment confirmation in accordance with the timing and other requirements set out in Section 6.3, and in any event by no later than 9:30 a.m., on the following Business Day. Where a payment confirmation is issued to HKSCC by a Designated Bank as mentioned above, it has been agreed between HKSCC and the Clearing House of HKAB that the Clearing House shall not, in respect of a DDI, make the relevant payment; and in respect of a DCI, receive the relevant payment. Where no payment confirmation is issued to HKSCC by a Designated Bank in respect of a DDI or a DCI by 9:30 a.m. on the following Business Day, the Designated Bank of the Participant will be bound, in respect of a DDI, to make the relevant payment; and in respect of a DCI, to receive the relevant payment.
  - (b) For DDIs and DCIs issued by HKSCC for settlement by a Participant other than an Investor Participant on the same Business Day that the DDIs and the DCIs are issued, if any payment to be debited from or credited to the Designated Bank Account of the Participant have not been or cannot be effected by a Designated Bank, the Designated Bank is required to issue to HKSCC a payment confirmation in accordance with the timing and other requirements set out in Section 6.3, and in any event by no later than 5:45 p.m. on that Business Day. Where a payment confirmation is issued to HKSCC by a Designated Bank as mentioned above, it has been agreed between HKSCC and the Clearing House of HKAB that the Clearing House shall not, in respect of a DDI, make the relevant payment; and in respect of a DCI, receive the relevant payment. Where no payment confirmation is issued to HKSCC by a Designated Bank in respect of a DDI or a DCI by 5:45 p.m. on that Business Day, the Designated Bank of the Participant will be bound, in respect of a

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DDI, to make the relevant payment; and in respect of a DCI, to receive the relevant payment.

- (c) For DDIs issued by HKSCC for settlement by a Participant other than an Investor Participant on the same Business Day that the DDIs are issued, where a Designated Bank should pursuant to (b) above have issued a payment confirmation to HKSCC at or before 5:45 p.m. on that Business Day but for any reason fails to do so, notwithstanding (b) above, the Designated Bank may issue to HKSCC a payment confirmation in accordance with the timing and other requirements set out in Section 6.3, and in any event by no later than 8:00 p.m. on that Business Day. Where a payment confirmation is issued to HKSCC by a Designated Bank as mentioned in this paragraph (c), HKSCC will return to the Participant the relevant amount of payment already made by the Participant's Designated Bank to HKSCC under the DDI pursuant to the last sentence of paragraph (b) above provided that the amount to be returned will only be effected by HKSCC by way of a DCI issued by HKSCC at day end for settlement on the Business Day following the day of issue of the DCI.
- (d) For DDIs issued by HKSCC for settlement by an Investor Participant on the Business Day following the day of issue of the DDIs (the "following Business Day"), if any payment to be debited from the Designated Bank Account the Investor Participant have not been or cannot be effected by the Designated Bank, the Designated Bank is required to issue to HKSCC a payment confirmation in accordance with the timing and other requirements of Section 6.3, and in any event by no later than 2:30 p.m. on the following Business Day. Where no payment confirmation is issued to HKSCC by a Designated Bank in respect of a DDI by 2:30 p.m. on the following Business Day, the Designated Bank of the Investor Participant will be bound to make or effect the relevant payment to HKSCC.
- (e) For further details of the procedures to be followed in relation to the issue of payment confirmation to HKSCC, Designated Banks should refer to the CCASS Terminal User Guide for Designated Banks.
- (v) To monitor and control its risk exposure to Participants, Eligible Securities other than China Connect Securities delivered to Participants by HKSCC under the CNS System will be treated as Securities-on-hold under the Rules. HKSCC has full discretion not to allow Participants to make use of some or all of such Eligible Securities other than China Connect Securities until HKSCC is fully satisfied that all payments by Participants under the CNS System (as a result of DDIs issued by HKSCC) are good and irrevocable. For the avoidance of doubt, unless otherwise agreed by HKSCC, payments in respect of DDIs issued by HKSCC on a Business Day for settlement by Participants other than Investor Participants on the same Business Day will not be regarded by HKSCC as good and irrevocable at any time before 8:00 p.m. on that Business Day.

#### **14.4.4 Default of payment by Participants other than Investor Participants**

If HKSCC is notified of a rejected DDI by the Designated Bank of a Participant other than an Investor Participant, the Participant will be regarded as having defaulted and will be subject to such action or actions as HKSCC may wish to take under the Rules.

Without prejudice to HKSCC's right to take any action under the Rules, HKSCC may attempt to contact the defaulting Participant and may demand that the defaulting Participant make payment to HKSCC by such means as specified by HKSCC from time to time and before such time or times as HKSCC may specify.

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HKSCC, if it is able to contact the defaulting Participant, will usually demand the defaulting Participant to provide HKSCC with an explanation for the default and assurances as determined by HKSCC to ensure that the default will be cured promptly. HKSCC may also contact the Designated Bank of the defaulting Participant to ascertain the reasons for the default. Interest will be charged by HKSCC.

A defaulting Participant (other than an Investor Participant) will be subject to such disciplinary action as may be deemed appropriate by HKSCC, upon the occurrence of any such default or any of the following events :

- (i) a Participant rejects or fails to comply with HKSCC's demand for payment;
- (ii) a Participant fails to provide an explanation for its default or fails to provide HKSCC with assurances that the default will be cured.

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

HKSCC reserves the right not to effect payment in respect of any DCIs issued in favour of a defaulting Participant, in the event that any DDI issued is rejected.

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

For any DDI issued by HKSCC in connection with a Participant's instruction on nominee and similar services (including, but not limited to, Tender Instructions), if payment is not received by HKSCC, HKSCC reserves the right not to act on the defaulting Participant's instruction until such time when payment is received by HKSCC. If any deadline for implementing such instruction is breached as a result of any default of payment by the Participant, HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC will not be liable for any losses or damages that may be suffered by the defaulting Participant.

#### **14.4.5 Default of Payment by Investor Participants**

Payments of Investor Participants to be made to HKSCC are normally payments for nominee and similar services and fees and expenses payable to HKSCC.

If HKSCC is notified of a rejected DDI by the Designated Bank of an Investor Participant, the Investor Participant will be regarded as having defaulted and will be subject to such action which HKSCC may take under the Rules and the Terms and Conditions.

For any DDI issued by HKSCC in connection with an Investor Participant's instruction on nominee and similar services (including, but not limited to, Tender Instructions), if payment is not received by HKSCC, HKSCC reserves the right not to act on the defaulting Investor Participant's instruction until such time when payment is received by HKSCC. If any deadline for implementing such instruction is breached as a result of any default of payment

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by the Investor Participant, HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC will not be liable for any losses or damages that may be suffered by the defaulting Investor Participant.

If the rejected DDI is in relation to fees and expenses to be paid to HKSCC, HKSCC may attempt to contact the defaulting Investor Participant and may demand such Investor Participant to put sufficient funds into its Designated Bank Account to covering its payment obligation. HKSCC may freeze the defaulting Investor Participant's Stock Account if the DDI in relation to the fees and expenses of the defaulting Investor Participant is still rejected on the following money settlement day. (For details, please refer to Section 22.4).

## **14.5 ELECTRONIC PAYMENT INSTRUCTIONS**

### **14.5.1 Usage**

EPIs are used to effect (i) money settlement between Participants in relation to trade for trade transactions settled in CCASS on a DVP basis (i.e. Isolated Trades, ISI and SI Transactions settled on a DVP basis); (ii) payment of money by Clearing Participants or Custodian Participants to their SSA Statement Recipients in relation to STI Transfers on a DVP basis; (iii) payment of fees and expenses by Participants other than Investor Participants on a weekly basis to HKSCC for CCASS services; and (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.

### **14.5.2 Procedures**

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

- (i) on each Settlement Day, in relation to Isolated Trades (including Clearing Agency Transactions), ISI and SI Transactions settled on a DVP basis in CCASS, HKSCC will in respect of each such trade or transaction, cause, via the Clearing House of HKAB for the relevant Eligible Currency, a debit EPI to be issued to the Designated Bank of the Participant receiving Eligible Securities as a result of settlement of such a trade or transaction in CCASS and a corresponding credit EPI to be issued to the Designated Bank of the counterparty Participant delivering Eligible Securities;
- (ii) [Repealed]
- (iia) at the end of each Business Day, in relation to STI Transfer to be effected on a DVP basis in CCASS, HKSCC will in respect of each such transfer, cause, via the Clearing House of HKAB for the relevant Eligible Currency, a debit EPI to be issued to the Designated Bank of the Clearing Participant or Custodian Participant inputting the STI on a DVP basis and a corresponding credit EPI to be issued to the receiving bank account with the receiving banker of the relevant SSA Statement Recipient;
- (iib) at the end of each Business Day, in relation to fees and expenses payable by a Participant other than an Investor Participant for CCASS services, HKSCC will compute the relevant tariff amounts and post entries to its Billing Account (a sub-account of the Money Ledger). On each Saturday, CCASS will generate a debit EPI for each Participant according to the balance of its Billing Account and a corresponding credit EPI to HKSCC's specified bank account. On each Monday, the processing of EPIs will be carried out by the Clearing House of HKAB and the

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Designated Banks concerned. If any Monday is a public holiday, the processing will be postponed to the following Business Day;

- (iic) on each Settlement Day, to effect the redelivery of Collateral provided to HKSCC for the early release of China Connect Securities that are Securities-on-hold, HKSCC will determine the relevant amount of Collateral to be redelivered and a corresponding credit EPI will be issued to the Designated Bank of the China Connect Clearing Participant upon HKSCC being fully satisfied that all payments by the China Connect Clearing Participant under the CNS System (as a result of CPI issued by HKSCC) are good and irrevocable;
- (iii) Repealed
- (iv) special arrangements have been made by HKSCC with the Clearing House of HKAB for each relevant Eligible Currency pursuant to which extra clearing runs will be conducted by that Clearing House of HKAB and files and/or reports will then be provided to Designated Banks of Participants by that Clearing House of HKAB on the same day;
- (iva) Designated Banks will be able to obtain via their CCASS Terminals and Participant Gateways details of EPIs affecting the Participants they act for, which will be contained in the “DDI/DCI/EPI Listing for Designated Bank”, “DDI/DCI/EPI Exception Report” or “DDI/DCI/EPI Listing for IP Related Transactions”, as the case may be (see Section 16.7). Designated Banks will reconcile the details with the information they received from the Clearing House of HKAB for the relevant Eligible Currency and will report any discrepancies to HKSCC for clarification;
- (v) Participants other than Investor Participants will be able to obtain via their CCASS Terminals or Participant Gateways their “Settlement Report”, “DDI/DCI/EPI Summary for Participant” and “Settlement Related EPI Listing” (in respect of trade for trade transactions settled in CCASS on a DVP basis) and “Statements of Money Ledger” (in respect of fees and expenses for CCASS services) (see Section 16.6.1) which contain details of the EPIs for debits and credits to their Designated Bank Accounts. In the case of Investor Participants, activity statements will be posted on the CCASS Internet System and activity statements will also be mailed to Investor Participants who have elected to receive their activity statements by mail on the Business Day following the activities to which the activity statement relates (see Section 16.6.2). In the case of SSA Statement Recipients receiving EPI payment, activity statements including the payment details will be posted on the CCASS Internet System and activity statements will also be mailed to SSA Statement Recipients who have elected to receive their activity statements by mail on the Business Day following the payment to which the activity statement relates (see Section 16.6.8). Activity statements will not be mailed to Investor Participants who have not elected to receive their activity statements by mail and such Investor Participants should enquire the details of their activity statements through the CCASS Internet System; and
- (vi) Designated Banks of Participants are required to confirm to HKSCC via their CCASS Terminals (a) the payment status of EPIs affecting Participants other than Investor Participants; and (b) the payment status of debit EPIs affecting Investor Participants, by the times and in the manner as set out in Section 14.5.3.

In addition to the above procedures, Designated Banks must follow the prescribed procedures of the Clearing House of HKAB for each Eligible Currency in relation to EPIs.

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**14.5.3 Payment confirmation by Designated Banks**

- (i) In this Section 14.5.3, “payment confirmation” means a confirmation issued by Designated Banks to HKSCC via their CCASS Terminals stating or confirming that:
- (a) payments to be made out of the Designated Bank Accounts of Participants other than Investor Participants in response to debit EPIs to effect money settlement in relation to Isolated Trades, SI Transactions on a DVP basis and/or fees and expenses for CCASS services have not been or cannot be made or effected by Designated Banks;
  - (b) payments to be received by the Designated Bank Accounts of Participants other than Investor Participants in response to credit EPIs to effect money settlement in relation to Isolated Trades and/or SI Transactions on a DVP basis have not been or cannot be received or effected by Designated Banks; or
  - (c) payments to be made out of the Designated Bank Accounts of the Investor Participants in response to debit EPIs to effect money settlement in relation to ISI Transactions on a DVP basis where the on hold mechanism applies have not been or cannot be made or effected by Designated Banks.
- (ii) To facilitate the provision of money settlement services by HKSCC to Participants under the Rules, HKSCC has made arrangements with the Clearing House of HKAB to transmit to the Clearing House on each Business Day:
- (a) EPIs issued by HKSCC for settlement by all Participants; and
  - (b) amendments to those EPIs issued by HKSCC for settlement by Participants other than Investor Participants in respect of which payment confirmations have been issued by Designated Banks to HKSCC pursuant to undertakings made in favour of HKSCC by Designated Banks. In this paragraph (b), “EPIs” only covers those EPIs issued by HKSCC to effect money settlement in relation to Isolated Trades and/or SI Transactions on a DVP basis.
- (iii) The following paragraphs summarise the key obligations of Designated Banks in relation to the issue of payment confirmations relating to EPIs for Participants’ information. In paragraphs (a) and (b) below, “EPIs” only covers those EPIs issued by HKSCC to effect money settlement in relation to Isolated Trades and/or SI Transactions on a DVP basis.
- (a) For EPIs issued by HKSCC for settlement by a Participant other than an Investor Participant on the Business Day following the day of issue of the EPIs (the “following Business Day”), if any payment to be debited from or credited to the Designated Bank Account of the Participant have not been or cannot be effected by a Designated Bank, the Designated Bank is required to issue to HKSCC a payment confirmation in accordance with the timing and other requirements set out in Section 6.3, and in any event by no later than 9:30 a.m. on the following Business Day. Where a payment confirmation is issued to HKSCC by a Designated Bank as mentioned in this paragraph (a), it has been agreed between HKSCC and the Clearing House of HKAB that the Clearing House shall not, in respect of a debit EPI, make the relevant payment; and in respect of a credit EPI, receive the relevant payment. Where no payment confirmation is issued to HKSCC by a Designated Bank in respect of a debit EPI or a credit EPI by 9:30 a.m. on the following Business Day, the Designated Bank of the Participant will be bound, in respect of a debit EPI, to make the relevant payment; and in respect of a credit EPI, to receive the relevant payment.

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- (b) For EPIs issued by HKSCC for settlement by a Participant other than an Investor Participant on the same Business Day that the EPIs are issued, if any payment to be debited from or credited to the Designated Bank Account of the Participant has not been or cannot be effected by a Designated Bank, the Designated Bank is required to issue to HKSCC a payment confirmation in accordance with the timing and other requirements set out in Section 6.3, and in any event by no later than 5:45 p.m. or, where Night Settlement applies, by no later than 9:20 p.m. on that Business Day. Where a payment confirmation is issued to HKSCC by a Designated Bank as mentioned in this paragraph (b), it has been agreed between HKSCC and the Clearing House of HKAB that the Clearing House shall not, in respect of a debit EPI, make the relevant payment; and in respect of a credit EPI, receive the relevant payment. Where no payment confirmation is issued to HKSCC by a Designated Bank in respect of a debit EPI or a credit EPI by 5:45 p.m. or, where Night Settlement applies, by 9:20 p.m. on the same Business Day, the Designated Bank of the Participant will be bound, in respect of a debit EPI, to make the relevant payment; and in respect of a credit EPI, to receive the relevant payment.
- (c) A delivering Participant may, with a view to monitoring and controlling the risk that a paying Investor Participant will not pay for Eligible Securities under an ISI Transaction which is to be settled in CCASS on a DVP basis, require that the shares on hold mechanism is used before affirmation of that ISI Transaction. If this is done, HKSCC will not permit the delivering Participant or the paying Investor Participant to withdraw the relevant Eligible Securities from CCASS or transfer or otherwise use them until Negative Confirmation of Payment in response to the relevant debit EPI has been obtained from the paying Investor Participant's Designated Bank.
- (d) Where the on hold mechanism applies to an ISI Transaction, the Investor Participant's Designated Bank must, in order to avoid an obligation to make the payment itself, issue to HKSCC, in accordance with the timing and other requirements set out in Section 6.3, and in any event by no later than 2:30 p.m. on the Business Day following the day of issue of the relevant debit EPI, a payment confirmation that payment will not be made in response to that debit EPI. If the Designated Bank does not do this, Negative Confirmation of Payment in response to the relevant debit EPI will have been obtained and the Designated Bank will be obliged to make the payment.
- (e) For further details of the procedures to be followed in relation to the issue of payment confirmations to HKSCC, Designated Banks should refer to the CCASS Terminal User Guide for Designated Banks.

#### **14.5.4 Default of payment**

As HKSCC's role in relation to money settlement for (i) trade for trade transactions in CCASS on a DVP basis; and (ii) STI Transfers on a DVP basis is merely that of a facilitator, it will not be responsible for any default in payment in relation to trade for trade transactions settled in CCASS or STI Transfers effected in CCASS by Participants. In case of any payment default in relation to trade for trade transactions, the non-defaulting Participant shall notify HKSCC immediately.

Accordingly, Participants themselves have to monitor good payment in relation to money settlement by EPIs.

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**14.6 Repealed****14.7 CHATS PAYMENT INSTRUCTIONS****14.7.1 Usage**

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

FINI CPIs are used to effect money settlement in respect of Electronic Application Instructions for New Issue Shares.

**14.7.2 Procedures**

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

- (i) generally, on each Business Day, in relation to CCASS transactions to be settled via CPIs, HKSCC will generate a CPI to be issued to the Designated Bank of the paying Participant upon creation with subsequent authorisation of an instruction by the Participant or as instructed by the paying Participant if it has authorised HKSCC to collect CCASS payments via CPIs. The CPI will include inter alia, the money value and the bank account information of the paying Participant and the receiving party;
- (ii) on the day imposed by HKSCC as the deadline for submitting subscription instructions, in relation to subscription instructions involving the collection of subscription monies via CPIs, upon acceptance and processing by HKSCC of the relevant instructions, HKSCC will generate a CPI to be issued to the Designated Bank of the paying Participant. The CPI will include inter alia, the money value and the bank account information of the paying Participant and HKSCC;
- (iii) on each Settlement Day, in relation to ISI and SI Transactions settled on a RDP basis in CCASS, upon its having successfully put on-hold sufficient available shares in the delivering Participant's Stock Account in respect of each such transaction, HKSCC will generate a CPI to be issued to the Designated Bank of the paying Participant. The CPI will include inter alia, the money value and the bank account information of the paying and receiving Participants;
- (iiia) on each Settlement Day, in relation to TSF FX Transactions and/or Stock Release FX Transactions in respect of each TSF CCASS Participant who has authorised HKSCC to collect payments via CPIs, HKSCC as TSF operator will generate CPI(s) to be issued to the Designated Bank of the TSF CCASS Participant. The CPI(s) will include, among others, the money value concerned and the bank account information of the TSF CCASS Participants;
- (iiib) on each Settlement Day, in relation to CNS money obligations of each China Connect Clearing Participant for China Connect Securities Trades and/or surplus cash arising from overpaid cash prepayment on the previous Settlement Day, HKSCC will generate CPI(s) to be issued to the Designated Bank of the China Connect Clearing Participant or a bank designated by HKSCC. The CPI(s) will include, among others, the money value concerned and the bank account information of the China Connect Clearing Participant;



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- (iv) the CPIs so generated by HKSCC are transmitted via CCASS Terminals to the Designated Banks of the paying Participants. The Designated Banks of the paying Participants may retrieve the “Electronic CHATS Payment Instruction Report” via CCASS Terminals or Participant Gateways at nine designated times on each Business Day and effect CHATS payments according to the deadline for each type of CCASS payment on the same day on a best effort basis, subject to the close of processing window of CCASS-related CHATS (normally at 7:45 p.m. for RMB and 6:00 p.m. for Eligible Currencies other than RMB);
  - (v) the CCASS-related CHATS messages so constructed by Designated Banks will be transmitted online to the clearing house for the relevant Eligible Currency for processing. Special arrangements have been made by HKSCC with the Clearing House of HKAB for each relevant Eligible Currency pursuant to which each CCASS-related CHATS message will be transmitted by the Clearing House of HKAB for that Eligible Currency to HKSCC for validation before settlement in that Clearing House of HKAB for the relevant Eligible Currency;
  - (vi) upon receipt of confirmation of payment in respect of the CPIs from the Clearing House of HKAB for the relevant Eligible Currency, HKSCC will i) update the Money Ledgers of the Participants concerned, if applicable, and the status of the respective CCASS transactions, including, in the case of Securities-on-hold China Connect Securities, the extent the Participants will be allowed to use such China Connect Securities; or ii) for SI / ISI Transactions, effect on-line delivery of the on-hold shares to the relevant receiving Participant's Stock Account. No DDI or EPI will be generated after such settlement;
  - (vii) if the relevant payment is not confirmed settled by the Clearing House of HKAB for the relevant Eligible Currency before the specified CCASS cut-off time for real time money settlement (normally at 12:00 noon or 6:00 p.m. as the case may be in accordance with Section 10A.4.5 for payments of CNS money obligations of China Connect Clearing Participants for China Connect Securities Trades, 1:00 p.m. for payments for nominee-related services, 3:00 p.m. for payments relating to TSF FX Transactions and Stock Release FX Transactions, 3:30 p.m. for payments relating to SI / ISI Transactions and other CCASS payments for Eligible Securities other than China Connect Securities, 6:00 p.m. for payments in Eligible Currencies other than RMB relating to SI Transactions in China Connect Securities, 7:45 p.m. for payments in RMB relating to SI Transactions in China Connect Securities) on each Business Day, HKSCC will i) not give effect to or process or settle the relevant CCASS transaction, ia) not allow China Connect Clearing Participants to use the Securities-on-hold China Connect Securities, ii) for TSF FX Transactions or Stock Release FX Transactions, take such action as it considers necessary to adjust, amend or reverse the FX transactions pursuant to Sections 12A.6 and 12A.8 or, iii) for SI/ISI Transactions, release the on-hold shares to the delivering Participant for other settlement purposes, as appropriate;
  - (viii) if the relevant payment is confirmed settled and paid to HKSCC's bank account (for CCASS transactions other than SI / ISI Transactions) at any time after the specified CCASS cut-off time for real time money settlement on each Business Day, HKSCC will arrange to refund the relevant payment to the relevant Participant on the same Business Day via DCIs; and
  - (ix) the status of CPIs can be enquired online via CCASS Terminals. Designated Banks and Participants other than Investor Participants can access, via their CCASS Terminals or Participant Gateways, their CCASS Reports (e.g. their Settlement Reports) to obtain details of the CPIs.

The procedures relating to FINI CPIs issued by HKSCC are set out in the FINI User Guide.

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

In addition to the above procedures, Designated Banks must follow the prescribed procedures of the Clearing House of HKAB for each Eligible Currency in relation to money settlement of CPIs.

#### **14.7.2a Payment confirmation by Designated Banks**

For CPIs issued by HKSCC for settlement by a China Connect Clearing Participant on a Settlement Day, if any payment to be debited from the Designated Bank Account of the Participant has not been or cannot be effected by the Designated Bank, the Designated Bank is required to issue to HKSCC a CPI confirmation in accordance with the timing and other requirements set out in Section 6.3. Where no CPI confirmation is issued to HKSCC by the Designated Bank in respect of a CPI by 12:00 noon on T+1 or 6:00 p.m. on T-day if T-day is an H-1 day, the Designated Bank of the Participant will be bound, in respect of the CPI, to make the relevant payment.

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

#### **14.7.3 Default of or delay in payment**

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

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

In case of any default or delay in any payment relating to a TSF CCASS Participant's TSF Final FX Position or a Stock Release FX Transaction, HKSCC, as TSF operator, may take such default action or other action against the concerned TSF CCASS Participant as it thinks fit in accordance with the Rules.

As HKSCC's role in relation to money settlement for ISI or SI transactions in CCASS on a RDP basis is merely that of a facilitator, it will not be responsible for any default of or delay in payment for whatever reasons in relation to such ISI or SI transactions to be settled in CCASS. In case of any default of or delay in such payment, the concerned Participants should resolve such disputes among themselves.

#### **14.7.4 Hours of CPI services**

The facility of CPI service is available for use on each Business Day starting from the hours of 9:30 a.m. until 6:00 p.m. for Eligible Currencies other than RMB and until 7:45 p.m. for RMB. HKSCC will periodically generate the “Electronic CHATS Payment Instruction Report” via the CCASS Terminals or Participant Gateways to Designated Banks of paying Participants at the following time schedule: 9:30 a.m. (after), 10:30 a.m. (after), 11:00 a.m. (after), 12:00 noon (after), 2:00 p.m. (after), 4:45 p.m. (after), 5:30 p.m. (after), 6:15 p.m. (after) and 7:00 p.m. (after).

The facility of FINI CPI service is available for use by the relevant FINI users in accordance with the FINI Terms and Conditions and the FINI User Guide.

## **14.8 INTRA-DAY PAYMENT INSTRUCTIONS**

### **14.8.1 Usage**

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

### **14.8.2 Procedures**

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

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

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cash payments arising out of nominee services on a Business Day) the cash payments in an Eligible Currency arising out of nominee services actually received by HKSCC of which cleared funds are made available to HKSCC by the relevant paying banks and distributed to the Entitlements Account of the Money Ledger of the Participant before 1:45 p.m. or such other time as specified from time to time by HKSCC; and

- (c) (where the Intra-day Payment Standing Instruction covers intra-day settlement of money obligations due to the Participant from HKSCC under the CNS System for all settled short CNS positions upon completion of the third Batch-settlement-run for Eligible Securities other than China Connect Securities shortly after 2:00 p.m. and any immediate settlement by DIs) the money obligations due from the Participant to HKSCC under the CNS System for all settled and unsettled long CNS positions and other types of money obligations in the Participant's Settlement Account and Miscellaneous Account of Money Ledger as HKSCC may from time to time specify;
- (ii) if the total amount of Intra-day Payment determined by HKSCC is equal to or greater than the pre-set threshold defined by the Participant in the accepted Intra-day Payment Standing Instruction, HKSCC will issue an Intra-day Payment Instruction on such Business Day and/or Settlement Day to the Designated Bank of the Participant via HKSCC's banker at around 2:30 p.m. or such other time as specified by HKSCC from time to time to effect payments on the same day;
- (iii) HKSCC will notify Participants via the Broadcast Message Service when Intra-day Payment Instructions are issued. Participants that have input Intra-day Payment Standing Instructions accepted by HKSCC can enquire the amounts of Intra-day Payments under Intra-day Payment Instructions via CCASS Terminal. The concerned Designated Banks of those Participants may retrieve the "Intra-day Payment Instruction Listing" report via CCASS after the issuance of the Intra-day Payment Instructions by HKSCC; and
- (iv) if any Intra-day Payment is not paid to the Participants concerned intra-day due to any contingent situations and/or at the full discretion of HKSCC, HKSCC will, subject to its right in Section 10.12.8(i) to make use of surplus cash arising from overpaid cash prepayment for any other purpose, pay the relevant payments to them not later than day-end via DCI.

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## Section 15

### Enquiry Services

#### 15.1 ENQUIRY SERVICES

Details of the enquiry services provided by CCASS, the operational steps for utilising these services and the descriptions of the enquiry screens, are set out in the CCASS Terminal User Guide.

Investor Participants may access the enquiry service of HKSCC via the CCASS Phone System or the CCASS Internet System or at the Customer Service Centre.

Upon authorization by a Clearing Participant or a Custodian Participant under Section 3.4A, HKSCC will allow the SSA Statement Recipient to access the enquiry functions in relation to the relevant SSA with Statement Service via the CCASS Phone System or the CCASS Internet System.

Details of the enquiry services provided by Synapse and the operational steps for utilising these services are set out in the Synapse User Guide.

Details of the enquiry services provided by FINI, the operational steps for utilising these services and the descriptions of the enquiry screens, are set out in the FINI User Guide.

#### 15.2 USE OF VARIOUS ENQUIRY FUNCTIONS AVAILABLE

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

**(i) Available to Participants other than Investor Participants:**

- (a) “Enquire SI” function: to enquire about the details and status of SIs;
- (b) “Enquire Due/Overdue Positions” function: to enquire about the summary/details of an Eligible Security's due/overdue positions. This function helps prepare for settlement;
- (c) “Enquire Stock Account Balance” function: to enquire about the balances of all Eligible Securities in a Participants Stock Accounts. This function helps Participants check whether there is sufficient quantity of a particular Eligible Security in their Stock Accounts for settlement purposes;
- (d) “Enquire Stock Account Movement” function: to enquire about the movement activities for any Eligible Security occurring on the current Settlement Day and up to one calendar month ago;
- (e) “Enquire Settlement Activity” function: to enquire about the settlement activities

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for all stock positions which have been settled on the current Settlement Day;

- (f) “Enquire Money Position/Instruction” function: to enquire about the money positions due to or from HKSCC (in respect of CNS positions), due to or from other Participants (in respect of SI Transactions) or money positions in Eligible Securities other than China Connect Securities due to or from other Participants (in respect of ISI Transactions and Isolated Trades); or to enquire about the money settlement instructions issued by HKSCC on the current Settlement Day or money settlement instructions due from SSA Statement Recipients to the Participants (in respect of STI Transfers) on the current Business Day. The money positions for China Connect Securities show the aggregate amounts of all the China Connect Markets. This function is designed to help Participants to plan their funding arrangements;
- (g) “Enquire Participant List” function: to enquire about a list of Participants IDs and short names (see the CCASS Terminal User Guide for details) and Participants’ Bank Identification Codes (BIC), if available. This function is of particular use when inputting data which requires another Participant's ID and name;
- (h) “Enquire Stock List” function: to enquire about a list of International Securities Identification Number (ISIN) Codes and stock codes for data entry and enquiry functions;
- (i) “Enquire Broadcast Message” function: to enquire about CCASS's broadcast messages which are released to all Participants and Designated Banks;
- (j) “Enquire Announcement Information” function: to enquire about the details of corporate actions for effecting nominee transactions in CCASS such as the subscription of rights shares, shares under open offers, warrant conversion, take-over offers;
- (k) “Enquire Election Instruction” function: to enquire about the details of instructions on election of option;
- (l) “Enquire Subscription Instruction” function: to enquire about the details of instructions on subscription of relevant Eligible Securities;
- (m) “Enquire Corporate Voting Instruction” function: to enquire about the details of voting instructions on relevant number of Eligible Securities to be voted at the relevant meetings;
- (n) “Enquire Login Withdrawal Order” function: to enquire about the details of withdrawal orders;
- (o) “Enquire Mass ATI/Mass STP” function: to enquire about the details of mass account transfer instruction and mass Stock Segregated Account Transfer Instruction;

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- (p) “Enquire Unmatched SI Reason” function: to enquire about the details and reasons of unmatched SIs. This function helps Participants follow up with their counterparties;
  - (q) Repealed
  - (r) “Enquire Collateral Effective Haircut and Valuation Price” function: to enquire about the haircut ratio and valuation price of each collateral instrument in effect from time to time;
  - (ra) “Enquire Exchange Rate and Haircut” function: to enquire about the currency exchange rate and haircut ratio used in valuation of Collateral from time to time;
  - (rb) “Enquire Collateral Account Balance” function: to enquire about the detailed information about each collateral instrument in selected CCMS Collateral Account;
  - (rc) “Enquire Collateral Account Movement” function: to enquire about the movements of each collateral instrument in selected CCMS Collateral Account on the current day and the past 30 days;
  - (rd) “Enquire Collateral Inventory” function: to enquire about the total quantity or value of each collateral instrument in CCMS;
  - (re) “Enquire Interest Calculation Result/Accommodation Fee” function: to enquire about daily accrued interest amount posted to each CCMS Collateral Account on the current day and the past 30 days;
  - (rf) “Enquire Preferred Single Settlement Currency” function: to enquire about the Eligible Currency selected by a Participant for the settlement of Marks, Margin and Collateral;
  - (rg) “Enquire Specific Cash Collateral” function: to enquire about the details of the Specific Cash Collateral instruction input by a Participant;
  - (rh) “Enquire Specific Cash Collateral Movement” function: to enquire about the movement of the Specific Cash Collateral;
  - (s) “Enquire Corporate Communications Event” function: to enquire about the details of corporate communications events;
  - (t) “Enquire Recipient Master” function: to enquire about the details of Recipients maintained by a Participant in CCASS;
  - (u) “Enquire Event Recipient List” function: to enquire about the list of Recipients designated by a Participant for a corporate communications event;

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- (v) “Enquire ISI” function: to enquire about the details and status of ISIs;
  - (w) “Enquire Payment Instruction” function: to enquire about the details of CPIs generated in CCASS for money obligations to be settled via CPIs, e.g. CNS money obligations for China Connect Securities, SI / ISI Transactions to be settled on a RDP basis. This function allows the paying Participant to obtain the bank account details of the beneficiary, e.g. the delivering Participant for SI / ISI Transactions, in the event that the paying Participant wishes to instruct a bank other than its Designated Bank to effect payment of a CPI;
  - (x) “Enquire Reported Lost Certificate” function: to enquire about the details of the share certificates which were reported to have been lost since CCASS commenced operations. The information is for reference only. HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC do not warrant the accuracy or completeness of the information made available and accepts no liabilities (whether in tort or contract or otherwise) for any loss, direct or indirect, arising to any person relying upon the information;
  - (y) “Enquire Lending Position” function: to enquire about the details of outstanding Compulsory Stock Borrowing Transactions;
  - (z) “Enquire Stock Borrowing Information” function: to enquire about the summary of new and outstanding stock loans made in CCASS and total holdings Eligible Securities available for borrowing in CCASS;
  - (aa) [Repealed]
  - (ab) [Repealed]
  - (ac) [Repealed]
  - (ad) “Enquire Authorised Tender Announcement” function: to enquire about the details of Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments in respect of which Tender Instructions may be given;
  - (ae) “Enquire Tender Instruction” function: to enquire about the details of Tender Instructions input by a Participant;
  - (af) “Enquire Tender Result” function: to enquire about the results of tenders for Exchange Fund Notes or Specified Instruments or the results of applications for Government Bonds or CMU Instruments and about refunds;
  - (ag) “Enquire Corporate Representative/Proxy” function: to enquire about the details and status of corporate representative/proxy instructions input by a Participant;



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- (ah) “Enquire Cash Prepayment / TSF Payment Standing Instruction” function: to enquire about the status and details of any Cash Prepayment Standing Instruction and/or TSF Payment Standing Instruction input by a Participant;
  - (ai) “Enquire Cash Prepayment Instruction” function: to enquire about the details of any Cash Prepayment Instruction input by a Clearing Participant or a Clearing Agency Participant or generated by HKSCC on behalf of a Clearing Participant or a Clearing Agency Participant;
  - (aj) “Enquire Buy-in Confirmation” function: to enquire about the details of Buy-in executed by HKSCC;
  - (ak) “Enquire User Profile” function: to enquire about the access rights to CCASS of each Authorised User and the Administration Rights of each Delegated Administrator of a Participant;
  - (al) “Get Authorisation Code” function: for Delegated Administrator of a Participant who is acting as a checker to enquire about the Authorisation Code assigned to him;
  - (am) “Enquire ISI (with affirmation) Counterparty List” function: which allows the Participant to enquire counterparty records in the ISI (with affirmation) Counterparty List;
  - (an) “Enquire ISI (without affirmation) Counterparty List” function: which allows the Participant to enquire counterparty records in the ISI (without affirmation) Counterparty List;
  - (ao) “Enquire Hide Unmatched SI Content Counterparty List” function: to enquire about the status and details of the SI counterparties maintained through the "Hide Unmatched SI Content Counterparty List" function;
  - (ap) [Repealed]
  - (aq) “Enquire Stock Segregated Account” function: to enquire about the account information of an SSA with Statement Service or a Special Segregated Account;
  - (ar) “Enquire Intra-day Payment Standing Instruction” function: to enquire about the status and details of any Intra-day Payment Standing Instruction of a Participant;
  - (as) “Enquire Intra-Day Payment Summary” function: to enquire about the details of Intra-day Payment Instruction issued by HKSCC on the current day;
  - (at) “Enquire STI” function: to enquire about the details and status of STIs;

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- (au) “Enquire Issuer Announcement” function: to enquire the information about announcements of listed issuers published on HKEX website;
  - (av) “Enquire GCP/NCP Mapping” function: to enquire about the details of the GCP designated by any NCCCP in accordance with the relevant Rules and the Clearing Agreement entered into between the GCP and an NCCCP;
  - (aw) “Enquire Deleted SI” function: to enquire about the details of current day deleted SIs;
  - (ax) “Enquire Nominee Payment (Evening) Standing Instruction” function: to enquire about the status and details of any Nominee Payment (Evening) Standing Instruction of a Participant;
  - (ay) “Enquire Inter-counter Transfer/Conversion Instruction” function: to enquire about the status and details of any Multi-counter Transfer / Parallel Trading Conversion Instruction maintained on current day;
  - (az) [Repealed]
  - (ba) “Enquire Sellable Balance Adjustment Request” function: to enquire about the details of any sellable balance adjustment request due to SPSA Delivery Failure input by a China Connect Clearing Participant on current day;
  - (bb) “Enquire Shareholding Category Disclosure” function: to enquire about the details of any Shareholding Category Disclosure made in respect of China Connect Securities;
  - (bc) “Enquire Intra-day Counter Transfer Standing Instruction” function: to enquire about the status and details of any Intra-day Counter Transfer Standing Instruction; and
  - (bd) “Enquire Intra-day Counter Transfer Instruction” function: to enquire about the status and details of any Intra-day Counter Transfer Instruction.

**(ia) Available to TSF CCASS Participants:**

- (a) “Enquire Stock Release Request” function: to enquire about the details of Stock Release Requests (including information concerning the corresponding Stock Release FX Transactions) in respect of the current Business Days and the preceding Business Day; and
- (b) “Enquire TSF Payment Instruction” function: to enquire about the details of a TSF CCASS Participant’s TSF payment instruction as referred to in Section 12A.4.1.

**(ii) Available to Investor Participants via the CCASS Phone System:**

- (a) "Stock Balance Enquiry": to enquire about the current ledger and available stock balance;
- (b) "ISI Activities Done on Current Day Enquiry": to enquire about the details of

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ISIs and settlement activities done on current day;

- (c) "Nominees Instruction Done on Current Day Enquiry": to enquire about the details of subscription, dividend election and voting instructions done on current day;
- (d) "Corporate Action Deadline Enquiry": to enquire about the details of subscription, dividend election and voting deadlines in effect;
- (e) "ISI Money Obligation Enquiry": to enquire about the settled and unsettled ISI money obligations to be settled in CCASS on a DVP basis;
- (f) [Repealed]
- (g) [Repealed]
- (h) [Repealed]
- (i) "Tender Announcement Enquiry": to enquire about the details of Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments in respect of which Tender Instructions may be given;
- (j) "Tender Instruction Done Enquiry": to enquire about the details of Tender Instructions input by an Investor Participant; and
- (k) "Tender Result Enquiry": to enquire about the details of results of tenders for Exchange Fund Notes, Specified Instruments or results of applications for Government Bonds or CMU Instruments and about refunds.
- (l) [Repealed]

**(iii) Available to Investor Participants via the CCASS Internet System:**

- (a) "Enquire Stock Balance": to enquire about the current ledger and available stock balance;
- (b) "Enquire ISI Done": to enquire about the details of ISIs and settlement activities done on current day and the past 10 settlement days;
- (c) "Enquire Subscription Instruction": to enquire about the details of subscription instructions done on current day and the past 31 calendar days;
- (d) "Enquire Dividend Election Instruction": to enquire about the details of dividend election instructions done on current day and the past 31 calendar days;
- (e) "Enquire Voting Instruction": to enquire about the details of voting instructions

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done on current day and the past 31 calendar days;

- (f) "Enquire Corporate Activities": to enquire about the details of various corporate activities such as subscription, dividend election, voting, etc.;
  - (g) "Enquire ISI Money Obligation": to enquire about the settled and unsettled ISI money obligations to be settled in CCASS on a DVP or RDP basis;
  - (h) [Repealed]
  - (i) [Repealed]
  - (j) "Enquire Tender Announcement": to enquire about the details of Exchange Fund Notes, Government Bonds, Specified Instruments or CMU Instruments in respect of which Tender Instructions may be given;
  - (k) "Enquire Tender Instruction" function: to enquire about the details of Tender Instructions input by an Investor Participant on current day and the past 31 calendar days. When information is received from the issuer, the results of tenders for Exchange Fund Notes or Specified Instruments, the results of applications for Government Bonds or CMU Instruments and any refund information will also be provided via this function;
  - (l) "Enquire IP Statement" function: to enquire about the details of the activity statements generated in the past 31 calendar days and the monthly statements generated in the past two months;
  - (m) "Enquire ISI Counterparty List" function: to enquire the details of the ISI (without affirmation) Counterparty List and the ISI (with affirmation) Counterparty List, if applicable, maintained with CCASS by the Investor Participants;
  - (n) "Enquire Issuer Announcement" function: to enquire the information about announcements of listed issuers published on HKEX website; and
  - (o) "Enquire Internet Account Profile" function: to enquire the internet account details of the Investor Participants.
  - (p) [Repealed]
- (iv) Available to Designated Banks:**
- (a) "Enquire Payment Instruction" function: to enquire about the details of CPIs generated in CCASS for money obligations to be settled via CPIs. This function allows the Designated Banks to enquire about the payment details (e.g. the latest image of a CPI status and its corresponding information) of their clients (paying Participants);

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- (b) “Enquire User Profile” function: to enquire about the access rights to CCASS of each Authorised User and the Administration Rights of each Delegated Administrator of a Designated Bank;
  - (c) “Get Authorisation Code” function: for Delegated Administrator of a Designated Bank who is acting as a checker to enquire about the Authorisation Code assigned to him;
  - (d) “Enquire Broadcast Message” function: to enquire about CCASS's broadcast messages which are released to all Participants and Designated Banks;
  - (e) “Enquire SSA Bank Account” function: to enquire about the bank account details of SSA Statement Recipients;
  - (f) “Enquire Cash Projection” function: to enquire about the projected total money obligations of a Clearing Participant or a Clearing Agency Participant for its CNS positions in Eligible Securities other than China Connect Securities on T+2 day; and
  - (g) “Enquire DDI/DCI/EPI Rejection” function: to enquire the status and details of DDI/DCI/EPI payment confirmation (i) made by the Designated Bank itself before and after authorization by the Designated Bank; or (ii) made by the counterparty Designated Bank after authorization by the counterparty Designated Bank.
- (v) Available to SSA Statement Recipients in relation to the SSA with Statement Service via the CCASS Phone System:**
- (a) “Stock Balance Enquiry”: to enquire about the current ledger and available stock balance on the current day;
  - (b) "Stock Account Movement Enquiry": to enquire about the movements in any Eligible Security on the current day;
  - (c) "STI Activities Done on Current Day Enquiry": to enquire about the details of STI activities done on the current day;
  - (d) "Voting Instruction Done on Current Day Enquiry": to enquire about the details of and voting instructions done on the current day; and
  - (e) "Corporate Action Deadline Enquiry": to enquire about the details of voting deadlines in effect.
- (vi) Available to SSA Statement Recipients in relation to the SSA with Statement Service via the CCASS Internet System:**
- (a) "Enquire Stock Balance" function: to enquire about the current ledger and available stock balance on the current day;
  - (b) "Enquire Stock Account Movement" function: to enquire about the movements in any Eligible Security on the current day and the past 14 calendar days;
  - (c) “Enquire Stock Segregated Account Statement” function: to enquire about the

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details of the activity statements generated in the past 31 calendar days and the monthly statements generated in the past two months;

- (d) "Enquire STI" function: to enquire about the details of STIs done on the current day and the past 31 calendar days;
- (e) "Enquire Voting Instruction" function: to enquire about the details of voting instructions done on the current day and the past 31 calendar days;
- (f) "Enquire Corporate Activities" function: to enquire about the details of various corporate voting activities;
- (g) "Enquire Stock Segregated Account Profile" function: to enquire about the profile details of the SSA with Statement Service; and
- (h) "Enquire Issuer Announcement" function: to enquire the information about announcements of listed issuers published on HKEX website.

### **15.3 HOURS WHEN SERVICES ARE AVAILABLE**

The enquiry services provided by CCASS for Participants other than Investor Participants are usually available for use by such Participants between the hours of 7:15 a.m. and 8:00 p.m., Monday to Friday (except public holiday), except for the CCMS enquiry function which closes at approximately 8:30 p.m., Enquire Sellable Balance Adjustment Request function which closes at approximately 9:00 p.m., and the report retrieval and Enquire Broadcast Message functions which close at approximately 9:30 p.m., and also between the hours of 8:00 a.m. and 1:00 p.m. on Saturday (except public holiday). These services hours are subject to change as HKSCC may from time to time specify. Enquiry services may be limited when each Batch-settlement-run is in process (see the daily CCASS processing and service schedule set out in Section 6.2).

The enquiry services provided by CCASS for Investor Participants at the Customer Service Centre are usually available between the hours of 9:00 a.m. and 6:00 p.m., Monday to Friday (except public holiday). These services hours are subject to change as HKSCC may from time to time specify.

The enquiry services provided by CCASS for Investor Participants and the access to enquiry functions by SSA Statement Recipients via the CCASS Phone System and the CCASS Internet System are usually available on a 24-hour basis. The services hours are subject to change as HKSCC may from time to time specify. Enquiry services and the access to enquiry functions may be limited when each Batch-settlement-run is in process (see the daily CCASS processing and service schedule set out in Section 6.2).

The enquiry services provided by CCASS for Designated Banks are usually available between the hours of 8:30 a.m. and 8:00 p.m., Monday to Friday (except public holiday), except for the report retrieval and Enquire Broadcast Message functions which close at approximately 9:30 p.m., and also between the hours of 8:30 a.m. and 1:00 p.m. on Saturday (except public holiday). These service hours are subject to change as HKSCC may from time to time specify.

**15.4 ACCESS RIGHTS TO ENQUIRY SERVICES**

The rights of an Authorised User of a Participant other than an Investor Participant to access specific enquiry services are set out in Section 3.5.

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## Section 16

### Statements and Reports

#### 16.1 STATEMENTS AND REPORTS AVAILABLE

CCASS and RMS will generate statements and reports for Participants other than Investor Participants and Designated Banks throughout the day after completion of different processes as set out in Section 16.6.1, Section 16.6.1A and Section 16.7. Where a report is stated in Section 16.6.1, Section 16.6.1A or Section 16.7 to be available “daily”, the report will be available on each Business Day or Mainland Business Day only and will not be available on a Saturday unless expressly stated otherwise. Further, full descriptions of the information contained in the reports for Participants other than Investor Participants and Designated Banks are set out in the CCASS Terminal User Guide for Participants, the RMS Guide and the CCASS Terminal User Guide for Designated Banks.

Participants other than Investor Participants and Designated Banks may retrieve such reports through their CCASS Terminals or Participant Gateways or RMS (see Section 16.3).

In the event that a Clearing Participant or a Custodian Participant authorises HKSCC to furnish statements and reports relating to SSA with Statement Service to SSA Statement Recipients, such statements and reports are to be made available by HKSCC as set out in Section 16.8.

Investor Participants will receive statements from HKSCC relating to activities and balances of their Stock Accounts as described in Section 16.6.2.

Participants which are Synapse Users should report immediately to HKSCC in respect of any errors found in Synapse Reports and statements.

In relation to FINI, the details regarding various statements and reports that are to be made available by HKSCC to FINI CP Users and other FINI users are set out in the FINI User Guide.

#### 16.2 ACCESS RIGHTS TO REPORT RETRIEVAL FUNCTIONS

The access rights of a Participant other than an Investor Participant to retrieve reports are stated in Sections 3.5 and 3.5A.

#### 16.3 RETRIEVAL OF REPORTS

The arrangement for retrieving

- (a) CCASS reports are set out in the CCASS Terminal User Guide and the CCASS Terminal User Guide for Designated Banks; and
- (b) RMS reports are set out in the RMS Guide.



**16.4 [Repealed]****16.5 REQUEST FOR RE-PRINTS**

In relation to copies of reports which are no longer available for printing or retrieval via CCASS Terminals, Participant Gateways or RMS, Participants other than Investors Participants may apply to HKSCC for re-prints of such reports. HKSCC may in its absolute discretion provide these re-prints in any form.

Re-prints of reports are subject to extra charges as outlined in HKSCC's current schedule of costs and expenses (see Section 21).

**16.6 REPORTS AND STATEMENTS FOR PARTICIPANTS****16.6.1 Reports and Statements for Participants other than Investor Participants to be retrieved from CCASS Terminals or Participant Gateways**

<b>Report ID</b>	<b>Report name</b>	<b>Frequency</b>	<b>Time available</b>
CCLTN04	Provisional Clearing Statement	Twice daily	shortly after 5:00 p.m. (for current day's Exchange Trades); Shortly after 8:00 p.m. (for current day's Exchange Trades and Clearing Agency Transactions)
CCLTN05	Final Clearing Statement	Daily	shortly after 2:00 p.m. (for previous day's Exchange Trades and Clearing Agency Transactions)
		Daily	shortly after 4:00 p.m. (for current day's China Connect Securities Trades) upon completion of the clearing process for the China Connect Markets
CCLID01	Intra-day Trade File (available in data format file only)	Ten times a day	shortly after 9:45 a.m., 10:15 a.m., 10:45 a.m., 11:30 a.m., 12:00 noon, 1:15 p.m., 2:00 p.m., 2:45 p.m., 3:30 p.m. and 4:25 p.m. (for current day's Exchange Trades effected on or reported to the Exchange by the NCPs of a GCP)
		Eight times a day	shortly after 9:45 a.m., 10:15 a.m., 10:45 a.m., 11:45 a.m., 1:15 p.m., 2:00 p.m., 2:30 p.m. and 3:30 p.m. (for current day's China Connect Securities Trades effected via a Trading Link by the NCCCPs of a GCP)
CCLSI02	SI Activity Report	Daily	from the time when the report retrieval function is available (for previous day's SI activities)
CCLSI01	SI Status Report	Daily	from the time when the report retrieval

			function is available (for previous day's SI results)
CCLUS01	Unmatched SI Report	Nine times a day	around 9:45 a.m., 10:30 a.m., 12:00 noon, 2:00 p.m., 3:00 p.m., 3:30 p.m., 4:15 p.m., 5:30 p.m. and 6:30 p.m. (for unmatched SI results as of the completion of each SI matching run for Eligible Securities other than China Connect Securities)
		Nine times a day	around 12:00 noon, 2:00 p.m., 3:15 p.m., 5:00 p.m., 5:15 p.m., 5:45 p.m., 6:30 p.m., 7:15 p.m. and 8:00 p.m. (for unmatched SI results as of the completion of each SI matching run for China Connect Securities)
CSESP01	Settled Position Report	Daily	shortly after 6:00 p.m. (for accumulated settlement results for Eligible Securities other than China Connect Securities as of current day)  Shortly after 8:00 p.m. (for accumulated settlement results for China Connect Securities of current day)
CSESP04	Intra-day Settled Position Report	Three times a day	around 11:30 a.m., 12:30 p.m. and 2:30 p.m. (for settlement results as of the completion of first, second and third Batch-settlement-runs for Eligible Securities other than China Connect Securities)
		Four times a day	around 5:15 p.m., 6:00 p.m., 6:45 p.m. and 7:30 p.m. (for CNS stock positions and SIs settlement results as of the completion of the first to fourth Batch-settlement-runs for China Connect Securities)
CSESE01	Settlement Report	Daily	from the time when the report retrieval function is available (for previous day's settlement results)
CSESB01	Daily Stock Balance Report	Daily	from the time when the report retrieval function is available (for previous day's stock balances and value in their account and total portfolio value)
CSESM01	Statement of Stock Movement (By Stock) Report	Daily	from the time when the report retrieval function is available (for previous day's stock movements sorted by stocks)
CSESM02	Statement of Stock Movement (By Account) Report	Daily	from the time when the report retrieval function is available (for previous day's stock movements sorted by accounts)

CSEMS08/ CSEMA08	Statement of Money Ledger	Daily	CSEMS08: from the time when the report retrieval function is available (for previous day's Money Ledger movements); and CSEMA08: around 4:30 p.m. (for current day's Money Ledger movements)
CSEMP02	CCASS Funding Projection Report for Participant	Four times a day	around 11:30 a.m., 12:30 p.m. and 2:30 p.m. (for funding projection as of the completion of each of the first three Batch-settlement-runs for Eligible Securities other than China Connect Securities) and around 3:30 p.m. (for funding projection as of the completion of the sixth SI matching for Eligible Securities other than China Connect Securities)
CCNPT06	Nominee Fees Refund Report	Daily	from the time when the report retrieval function is available (for refund of the over-charged nominee fees arising from multi-counter stocks, i.e. scrip fee and dividend collection fee)
CSEMS28/ CSEMA28/ CSEM28	DDI/DCI/EPI Summary for Participant	Daily	CSEMS28: from the time when the report retrieval function is available (for DDIs/DCIs/EPIs generated on the previous day); CSEMA28: around 4:05 p.m. (for DDIs/DCIs/EPIs generated on the current day for same day settlement); and CSEM28: around 8:15 p.m. (for EPIs generated on the current day for same day Night Settlement)
CSEMS29/ CSEMA29/ CSEM29	Settlement EPI Listing	Related Daily	CSEMS29: from the time when the report retrieval function is available (for EPIs generated on the previous day for settlement on the current day in relation to money obligations of Isolated Trades, SI Transactions and ISI Transactions on a DVP basis); CSEMA29: around 4:05 p.m. (for EPIs generated on the current day for same day settlement in relation to money obligations of Isolated Trades and SI Transactions on a DVP basis); and CSEM29: around 8:15 p.m. (for EPIs generated on the current day for same day Night Settlement)
CSEOP01	Next Settlement Day Due/Overdue Position Report	Daily	from the time when the report retrieval function is available (for current day's due/overdue positions)

CCLEI01	SI Batch Input Control Report	After each SI upload	shortly after each individual SI batch validation (for status of SI batch uploads)
CCMSS05	Collateral Security Batch Input Control Report	After each batch validation	shortly after completion of each Collateral Security batch validation run scheduled at around 10:00 a.m., 12:45 p.m., 5:00 p.m. and 6:00 p.m. (for status of Collateral Security batch file uploads)
CSEBA01	ATI Batch Input Control Report	After each batch validation	shortly after completion of each ATI batch validation run scheduled at around 7:30 a.m., 8:00 a.m., 9:15 a.m., 10:00 a.m., 11:30 a.m., 12:45 p.m., 3:15 p.m., 5:00 p.m., 5:30 p.m. and 8:00 p.m. (for status of ATI batch file uploads).
CCNPT02	Entitlement Statement	Daily	from the time when the report retrieval function is available (for previous day's entitlement updates)
CCNPT01	Nominee Functions Input Activities Report	Daily	from the time when the report retrieval function is available (for previous day's input activities of all nominee functions, Intra-day Payment Standing Instruction in relation to payments arising out of nominee services, Nominee Payment (Evening) Standing Instruction and also voting instructions input by SSA Statement Recipients)
CCNPT05	Elected Quantity Exception Report for Structured Products (Before Election End)	Daily	from the time when the report retrieval function is available (for potential exceptional election instructions for payments relating to Structured Products)
CCNAN05	Corporate Announcement Master Data File (available in data format file only)	Three times a day	around 1:00 p.m., 3:30 p.m. and 6:00 p.m. (for active Corporate Announcements as of the file generation time)
CCNAN06	Corporate Announcement Maintenance Activities Report	Three times a day	around 1:00 p.m., 3:30 p.m. and 6:00 p.m. (for current day's Corporate Announcements' update activities as of the report / file generation time)
CCNDS04	Withdrawal Advice Report	Daily	from the time when the report retrieval function is available (for current day's lapsed/expired securities withdrawal)
	Overnight Report Distribution Summary Report	Daily (including Saturday)	printed overnight (for reports downloaded to the participants during the overnight report printing)

CCVTF01	Inter-counter Transfer/Conversion Instruction Activities Report	Daily	from the time when the report retrieval function is available (for previous day's processed Multi-counter Transfer Instructions and Parallel Trading Conversion Instructions)
CCVTF03	Multi-counter Transfer Instruction Batch Input Control Report	After each batch validation	shortly after completion of each batch validation run on uploaded files containing Multi-counter Transfer Instructions scheduled at around 9:15 a.m., 10:15 a.m., 12:30 p.m. and 2:30 p.m. (for status of Multi-counter Transfer Instruction batch uploads)
CCVTF05	Parallel Trading Conversion Instruction Batch Input Control Report	After each batch validation	shortly after completion of each batch validation run on uploaded files containing Parallel Trading Conversion Instructions scheduled at around 9:15 a.m., 10:15 a.m., 12:30 p.m. and 2:30 p.m. (for status of Parallel Trading Conversion Instruction batch uploads)
CCVWD04	Withdrawal Order Audit Trail Report	Daily	from the time when the report retrieval function is available (for previous day's withdrawal orders input activities)
CCVWD05	Withdrawal Order Status Report	Daily	from the time when the report retrieval function is available (withdrawal order status as at the end of the previous day)
CFIMC01	Monthly Stock Balance Report	Monthly	from the time when the report retrieval function is available on the first Business Day of each month (for previous month's Stock Account balance)
CCDPC02	Monthly Portfolio Fee Collection Report of China Connect Markets	Monthly	from the time when the report retrieval function is available on the first Business Day of each month (for previous month's portfolio values of each calendar day for calculating portfolio fee of China Connect Securities with details of the portfolio fee shown)
CCJCC12	Corporate Communications Event List	Daily	from the time when the report retrieval function is available (for previous day's corporate communications event updated)
CCJCC15	Corporate Communications Recipient Batch Input Control Report	Daily	shortly after each scheduled corporate communications batch validation run (for status of batch file uploads)
CCJCC13	Recipient Master Maintenance	Daily	from the time when the report retrieval function is available (for previous day's

	Activity Report		Recipient master maintenance activities)
CCJCC14	Corporate Communications Event Recipient List Activity Report	Daily	from the time when the report retrieval function is available (for previous day's corporate communications Recipient list maintenance activities)
CCJCC21	Monthly Recipient Master List	Monthly	from the time when the report retrieval function is available on the first Business Day of each month (for latest Recipient masters as at end of previous month)
CIPSI01	ISI Status Report	Daily	from the time when the report retrieval function is available (for previous day's ISI results)
CIPSI02	ISI Activity Report	Daily	from the time when the report retrieval function is available (for previous day's ISI activities)
CSEPI01	Payment Instruction Input Activity Report	Daily	from the time when the report retrieval function is available (for previous day's payment instruction on-line activities)
CSESI02	Intra-day ISI/SI Full List	Eight times a day	around 11:30 a.m., 12:30 p.m., 2:30 p.m. and 4:15 p.m. (for settlement results as of the completion of each Batch-settlement-run for Eligible Securities other than China Connect Securities) and around 3:00 p.m., 3:30 p.m., 5:30 p.m. and 6:30 p.m. (for matched SI results as of the completion of the fifth, sixth, eighth and final SI matching runs for Eligible Securities other than China Connect Securities)
		Nine times a day	around 5:00 p.m., 5:45 p.m., 6:30 p.m., 7:15 p.m. and 8:00 p.m. (for settlement results as of the completion of each Batch-settlement-run for settlement of SI stock positions in China Connect Securities) and around 12:00 noon, 2:00 p.m., 3:15 p.m., and 5:15 p.m. (for matched SI results as of the completion of the first, second, third and fifth SI matching runs for China Connect Securities)
CIPCL03	Monthly ISI Counterparty List	Monthly	from the time when the report retrieval function is available on the first Business Day of each month (for the latest ISI counterparty list as at end of previous month)
CIPEI01	ISI Batch Input Control Report	After each ISI upload	Shortly after each individual ISI batch validation (for status of ISI batch uploads)

CBLBR01	Stock Borrowing/ Lending Activity Report	Daily	from the time when the report retrieval function is available (for previous day's stock loan activities)
CBLBP01	Stock Borrowing/ Lending Position Status Report	Daily	from the time when the report retrieval function is available (stock loan status as at the end of the previous day)
CEPAA01	New Issues Application Input Activity Report	Daily (including Saturday)	from the time when the report retrieval function is available (for previous day's Tender Instruction maintenance activities)
CEPAB01	New Issues Application Input Activity Report	Daily (including Saturday)	shortly after 11:30 a.m. (for current day's Tender Instruction maintenance activities as of the report generation time)
CEPBE01	New Issues Entitlement Report	Daily (including Saturday)	from the time when the report retrieval function is available (for previous day's entitlement updates of Tender Instructions)
CEFUV01	Tender Instructions Batch Input Control Report	After each scheduled validation	shortly after each scheduled batch validation run (for status of Tender Instructions batch file uploads)
CCNVT08	CRP Batch Input Control Report	Three times a day	shortly after completion of each CRP batch validation run scheduled at around 11:45 a.m., 2:45 p.m. and 4:15 p.m. (for status of CRP batch file uploads)
CCNPT03	Participant Voted Quantity Exception Report - On Voting Deadline	Daily	shortly after the 4:15 p.m. voting validation run (for voting instructions being scaled down or cancelled)
CSEMP04	CCASS Funding Projection Report (Night Settlement) for Participant	Five times a day	around 5:00 p.m., 5:45 p.m., 6:30 p.m., 7:15 p.m. and 8:00 p.m. (for funding projection as of the completion of each Batch-settlement-run for China Connect Securities)
CCNPT04	Participant Voted Quantity Exception Report - Before Voting Deadline	Daily  Daily	normally around 8:45 p.m. (for potential exceptional voting instructions of Eligible Securities other than China Connect Securities)  normally around 8:45 p.m. for SSE Market and 9:15 p.m. for SZSE Market (for potential exceptional voting instructions of China Connect Securities)
CSEOP09	GEM Settlement Information Report	Daily	from the time when the report retrieval function is available (for previous day's

			settlement results in relation to transactions in securities listed on the Growth Enterprise Market of the Exchange)
CSECP03	Cash Prepayment / TSF Payment / Intra-day Payment Instruction Maintenance A/T Report	Daily	from the time when the report retrieval function is available (for previous day's maintenance activities of Cash Prepayment, TSF Payment and Intra-day Payment Standing Instruction)
CCSSG01	Stock Segregated Account with Statement Service Master Listing	Daily	from the time when the report retrieval function is available (for the previous day's latest master information of SSA with Statement Service)
CCSSG02	Stock Segregated Account with Statement Service Maintenance Activity Report	Daily	from the time when the report retrieval function is available (for previous day's maintenance activities of SSA with Statement Service)
CCSSU01	SSA Batch Input Control Report	Daily	shortly after the SSA batch input file validation run (for status of SSA batch uploads)
CSEAT02	STI Activity Report	Six times a day	shortly after completion of each STI batch transfer run scheduled at around 9:15 a.m., 10:00 a.m., 12:45 p.m., 3:30 p.m., 5:00 p.m. and 8:00 p.m. (for accumulated STI activities as of the report generation time for Eligible Securities other than China Connect Securities)
		Eleven times a day	shortly after completion of each STI batch transfer run scheduled at around 8:00 a.m., 9:15 a.m., 10:00 a.m., 12:45 p.m., 3:30 p.m., 5:00 p.m., 5:30 p.m., 6:15 p.m., 7:00 p.m., 7:30 p.m. and 8:00 p.m. (for accumulated STI activities as of the report generation time for China Connect Securities)
CSEAT01	STI Batch Input Control Report	After each batch validation	shortly after completion of each STI batch validation run scheduled at around 7:30 a.m., 8:00 a.m., 9:15 a.m., 10:00 a.m., 12:45 p.m., 3:30 p.m., 5:00 p.m., 5:30 p.m., 7:30 p.m. and 8:00 p.m. (for status of STI batch uploads)
CCNPT07	Participant Shareholding	Daily	from the time when the report retrieval



	Category Disclosure Activity Report		function is available (for previous day's Shareholding Category Disclosure maintenance activities)
CCNPT08	Participant Shareholding Category Disclosure Exception Report - On Voting Deadline	Daily	shortly after 4:15 p.m. voting validation run (for Shareholding Category Disclosure instructions being cancelled)
CCNPT09	Participant Shareholding Category Disclosure Exception Report - Before Voting Deadline	Daily	normally around 8:45 p.m. for SSE Market and 9:15 p.m. for SZSE Market (for Shareholding Category Disclosure instructions to be cancelled)
CCNPT10	CA ISO Message Service Subscription Audit Trail Report	Daily	from the time when the report retrieval function is available (for previous day's CA ISO Message Service subscription activities)
CCNPT11	CA ISO Message Service Monthly Billing Report	Monthly	from the time when the report retrieval function is available on the first Business Day of each month (for previous month's CA ISO Message Service subscription fee and list of ISO Messages)
CSEAT03	STI Status Report	Daily	from the time when the report retrieval function is available (for previous day's STI results)
CFIBI01	Buy-in Notification Report	Daily	after 5:00 p.m. (for Buy-in of Eligible Securities other than China Connect Securities to be executed by HKSCC on the following Trading day and those executed on previous Trading day)  after 7:15 p.m. (for Buy-in of China Connect Securities to be executed by HKSCC on the following Trading day and those executed on current Trading day for each China Connect Market)
CCMIA14	Quarterly Interest Report for Mainland Settlement Deposit and Mainland Security Deposit	Quarterly	from the time when the report retrieval function is available on the first Business Day of each quarter (for previous quarter's interest)

(Shenzhen)

CRMGF03	Mainland Security Deposit Payable Report (Shenzhen)	Monthly	from the time when the report retrieval function is available on the first Business Day of each month
CRMSD04	Mainland Settlement Deposit Payable Report (Shenzhen)	Daily	after calculation for current day's Mainland Settlement Deposit requirement
CRMSD09	Intra-day Mainland Settlement Deposit Payable Report (Shenzhen)	Daily	after calculation of intra-day Mainland Settlement Deposit requirement
CCLTA01	Trade File of Special Segregated Accounts (available in data format file only)	Daily	Around 4:15 p.m. (for current day's China Connect Securities Trades effected via a Trading Link by a China Connect Exchange Participant for Special Segregated Accounts)
CRMSD07	Intra-day Mainland Settlement Deposit Payable Report (Shanghai)	Daily	after calculation of intra-day Mainland Settlement Deposit requirement
CSEAS05	A-share Sellable Balance Adjustment Report	Twice daily	from the time when the report retrieval function is available (for previous day's sellable balance adjustment) and around 8:15 a.m. (for current day's sellable balance adjustment)
CSEAS07	A-share Sellable Balance Adjustment Audit Trail Report	Daily	from the time when the report retrieval function is available
CSEIC01	Intra-day Counter Transfer Standing Instruction Maintenance A/T Report	Daily	from the time when the report retrieval function is available (for previous day's maintenance activity)
CSEIC02	Intra-day Counter Transfer Instruction Maintenance A/T Report	Daily	from the time when the report retrieval function is available (for previous day's maintenance activity)

CSETF03	TSF FX Transaction / Stock Release Activity / Status Report	Daily	from the time when the report retrieval function is available (for previous Trading day's (i) Stock Release Request maintenance activities; and (ii) settlement status of TSF FX Transactions and Stock Release FX Transactions)
CSETF07	TSF Confirmation Report	Daily	around 6:00 p.m. (for (i) current Trading day's TSF FX Transactions and Stock Release Requests; (ii) the preceding Trading day's TSF FX Positions and Stock Release FX Transactions; (iii) a summary of the quantity of TSF Stocks to be earmarked and de-earmarked and money positions of the TSF CCASS Participants; and (iv) the applicable FX rates)
CSETF13	TSF Exception Handling Fee Report	Daily	from the time when the report retrieval function is available (for previous day's TSF exception handling fee)
CCMPY01	Posting/ Collateralisation Result Report	Each marks batch run	before the completion of scheduled intra-day marks batch processing runs, or ad-hoc marks batch processing run (if any)
CCMPY02	Posting/ Collateralisation Result Report	Daily	After the completion of day-end marks batch processing runs
CCMSU04	Special-Use Collateral Balance Report	Daily (including Saturday)	from the time when the report retrieval function is available on each Business Day and Saturday (for previous day's special-use collateral balance)
CCMCA02	Collateral Account Balance Report	Daily (including Saturday)	from the time when the report retrieval function is available on each Business Day and Saturday (for previous day's collateral balance)
CCMMV01	Participant Collateral Account Movement Report	Daily (including Saturday)	from the time when the report retrieval function is available on each Business Day and Saturday (for previous day's collateral movements)
CCMIA02	Monthly Interest & Accommodation Fee Report – Detail	Monthly	from the time when the report retrieval function is available on the first Business Day of each month (for previous month's interest and accommodation fee)

CCMIR02	Collateral Parameters Information List	Daily (including Saturday)	from the time when the report retrieval function is available on each Business Day and Saturday (previous day's interest rates, retention rates, accommodation fee rate, exchange rate and exchange haircut)
CCMDS01	Statement of Collateral Account	Daily (including Saturday)	from the time when the report retrieval function is available on each Business Day and Saturday (for previous day's collateral account activities)
CCMSC01	Specific Cash Collateral Instruction Activity Report	Daily (including Saturday)	from the time when the report retrieval function is available on each Business Day and Saturday (for previous day's Specific Cash Collateral instruction activities)
CCMPS01	Maintain Preferred Single Settlement Currency Activity Report	Daily (including Saturday)	from the time when the report retrieval function is available on each Business Day and Saturday (for previous day's activities in relation to Preferred Single Settlement Currency)
CCMMM01	Marks and Margin for ChinaClear Southbound Payable Report	Daily	around 8:00 p.m. (after generation of the current day money obligations for next Business Day settlement)
CCMDF02	Statement of Default Fund Contributions	Monthly & ad hoc	Around 12:00 noon, following completion of monthly review of Guarantee Fund to be conducted on the first Business Day of each month or completion of any ad hoc review of Guarantee Fund
CCMIA12	Quarterly Interest Report for Mainland Settlement Deposit and Mainland Security Deposit (Shanghai)	Quarterly	from the time when the report retrieval function is available on the first Business Day of each quarter (for previous quarter's interest)
CRMGF01	Mainland Security Deposit Payable Report (Shanghai)	Monthly	from the time when the report retrieval function is available on the first Business Day of each month
CRMSD01	Mainland Settlement Deposit Payable Report (Shanghai)	Daily	after calculation for current day's Mainland Settlement Deposit requirement
DMSDA01	Disabled User Listing	Daily (including Saturday)	Ad hoc

DMSDA02	SRN Listing	Daily (including Saturday)	Ad hoc
DMSDA03	User Group Listing (with Accessible Functions)	Daily (including Saturday)	Ad hoc
DMSDA04	User Profile Listing	Daily (including Saturday)	Ad hoc
DMSDA05	User Profile Maintenance Report	Daily (including Saturday)	Ad hoc
CETMB02	Broadcast Message Listing	Daily (including Saturday)	from the time when the report retrieval function is available (for previous day's broadcast messages)
CSECC03	Handling Fee Collection Report for the Early Release of Securities-on-hold for China Connect Markets	Daily	from the time when the report retrieval function is available (for previous day's handling fee)

#### 16.6.1A Reports for Participants other than Investor Participants to be retrieved from RMS

Report ID	Report name	Frequency	Time available
DWH0081C	Daily Participant Margin Multiplier Report	Once daily	from the time when the report retrieval is available (for report generated overnight)
DWH0229	Corporate Action Event Report	Once daily	around 10:00 a.m.
DWH0303	IPO Indicator Report	Once daily	from the time when the report retrieval is available (for report generated overnight)

<b>Report ID</b>	<b>Report name</b>	<b>Frequency</b>	<b>Time available</b>
DWH0305	Series Price Report	Four / Five times daily	<ol style="list-style-type: none"> <li>1) from the time when the report retrieval is available (for report generated overnight)</li> <li>2) around 11:45 a.m., after the intra-day Margin calculation process</li> <li>3) around 2:45 p.m., after the intra-day Margin calculation process on the day before a public holiday, if applicable</li> <li>4) around 3:45 p.m., after the early Margin estimation process</li> <li>5) around 5:30 p.m., after the Margin estimation process</li> </ol>
RMADF01	Default Fund Requirement Report	Once daily, with monthly and/or ad hoc, if applicable	<ol style="list-style-type: none"> <li>1) around 9:00 p.m., after the end of day Guarantee Fund calculation process</li> <li>2) around 10:30 a.m., after the completion of the monthly and/or ad hoc Guarantee Fund review processing</li> </ol>
RMAMP01	Marginable Position Report	Four / Five times daily	<ol style="list-style-type: none"> <li>1) around 11:30 a.m., after the intra-day Margin calculation process</li> <li>2) around 2:30 p.m., after the intra-day Margin calculation process on the day before a public holiday, if applicable</li> <li>3) around 3:30 p.m., after the early Margin estimation process</li> <li>4) around 5:15 p.m., after the Margin estimation process</li> <li>5) around 9:00 p.m., after the end of day Margin calculation process</li> </ol>
RMAMR01	MTM and Margin Requirement Report	Four / Five times daily	<ol style="list-style-type: none"> <li>1) around 11:30 a.m., after the intra-day Margin calculation process</li> <li>2) around 2:30 p.m., after the intra-day Margin calculation process on the day before a public holiday, if applicable</li> <li>3) around 3:30 p.m., after the early Margin estimation process</li> <li>4) around 5:15 p.m., after the Margin estimation process</li> <li>5) around 9:00 p.m., after the end of day Margin calculation process</li> </ol>

<b>Report ID</b>	<b>Report name</b>	<b>Frequency</b>	<b>Time available</b>
RMAMR03	MTM and Margin Requirement Report Summary Version	Four / Five times daily	<ol style="list-style-type: none"> <li>1) around 11:30 a.m., after the intra-day Margin calculation process</li> <li>2) around 2:30 p.m., after the intra-day Margin calculation process on the day before a public holiday, if applicable</li> <li>3) around 3:30 p.m., after the early Margin estimation process</li> <li>4) around 5:15 p.m., after the Margin estimation process</li> <li>5) around 9:00 p.m., after the end of day Margin calculation process</li> </ol>
RMAST01	Risk - Stress Testing Report	Once daily	around 9:00 p.m. on each business day
RMCNM01	Risk - Northbound MSTD Requirement Report	Three times daily	<ol style="list-style-type: none"> <li>1) around 12:00 noon, after the intra-day Mainland Settlement Deposit calculation process</li> <li>2) around 4:00 p.m., after the Mainland Settlement Deposit estimation process</li> <li>3) around 8:00 p.m., after the end of day Mainland Settlement Deposit calculation process</li> </ol>
RMCNM03	Risk - Northbound MSCD Requirement Report	Once monthly	around 9:30 a.m. of the first business day of each month after the monthly calculation process
RMCSM01	Southbound Margin Requirement Report	Once daily	at around 9:00 p.m., after the end of day Margin calculation process
RPF01	Initial Margin Risk Parameter File	Once daily	Day-end
RPF02 RPF03 RPF04	Stress Testing Risk Parameter Files	Once daily	Day-end
RPF05 RPF06 RPF07	Risk Parameter Files for ChinaClear	Once daily	around 9:00 a.m. on a business day

### **16.6.2 Statements for Investor Participants**

An activity statement will be posted on and available to Investor Participants via the CCASS Internet System. The activity statement will also be sent to an Investor Participant who has elected to receive the activity statement by mail on the Business Day after (a) input of any instructions by the Investor Participant relating to nominees and settlement activities, or (b) receipt of benefit distribution, or (c) there is any movement in the Eligible Securities

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under the Stock Account of the Investor Participant. The following sections are included in the activity statement :

- (i) Stock Movement Section : Stock movements on the Stock Account are listed.
- (ii) Payment Summary Section: DDIs, DCIs, CPIs and EPIs effected are listed with the details of the payment.
- (iii) Activity Section : Settlement, entitlement distribution, subscription, entitlement election, corporate voting and ISI counterparty list activities are listed.
- (iv) [Repealed]
- (v) Tendering Section : Tender Application details and allotment results are shown.
- (vi) Reminder Section : Reminders on corporate actions are shown.

In addition, a monthly statement will be posted on and available to Investor Participant via the CCASS Internet System. The monthly statement will also be sent to an Investor Participant who has elected to receive the monthly statement by mail. The monthly statement will contain details of the money ledger and stock account movements of the Investor Participant for the past month, the billing details and balances of all the stocks in the Stock Accounts of the Investor Participant, and include the following sections:

- (i) Fee Summary Section : The total fees to be debited from the Investor Participant's designated bank account and the calculation of minimum usage fee shortfall are shown.
- (ii) Stock Balance Section : The stock balances, reference value of the stocks and calculation of custody fee are shown.
- (iii) Stock Movement Section : The movement of stock during the past month are listed.
- (iv) Money Ledger Section : The money ledger movements on settlement account, entitlement account, billing account and miscellaneous account are listed.
- (v) Scrip Fee Calculation Section : Detail calculation of scrip fee is shown.
- (vi) SMS Message Summary Section : List the number of messages sent by message type.
- (vii) Reminder Section : Reminders on corporate actions are shown.

Investor Participants may apply to the Customer Service Centre for re-prints of previous activity statements and monthly statements at a fee specified by HKSCC from time to time.

The hardcopies of the activity and monthly statements will not be sent to an Investor



Participant who has not elected to receive the statements by mail. However, Investor Participants should enquire the details of such statements through the CCASS Internet System.

## 16.7 REPORTS AND STATEMENTS FOR DESIGNATED BANKS

<b>Report ID</b>	<b>Report name</b>	<b>Frequency</b>	<b>Time available</b>
CSEMS03	DDI/DCI/EPI Listing for Designated Bank	Three times a day	from the time when the report retrieval function is available (for DDI/DCI/EPIs generated on the previous day for settlement on the current day), after 4:05 p.m. (for DDI/DCI/EPIs generated on the current day for same day settlement) and after 8:05 p.m. (for EPIs generated on the current day for same day Night Settlement)
CSEMS05	DDI/DCI/EPI Rejection Listing	Four times a day	after 9:30 a.m. (for payment confirmation of previous day's DDI/DCI/EPIs);  after 5:45 p.m. (for payment confirmation of current day's DDI/DCI/EPIs inputted in the first session for same day settlement, as referred to in Section 6.3);  after 8:00 p.m. (for payment confirmation of current day's DDI/DCI/EPIs inputted in the second session, as referred to in Section 6.3); and  after 9:20 p.m. (for payment confirmation of current day's EPIs inputted in the session for same day Night Settlement, as referred to in Section 6.3)
CSEMP01	CCASS Funding Projection Report for Designated Bank	Four times a day	around 11:30 a.m., 12:30 p.m. and 2:30 p.m. (for funding projection as of the completion of each of the first three Batch-settlement-runs for Eligible Securities other than China Connect)

			Securities) and around 3:30 p.m. (for funding projection as of the completion of the sixth SI matching run for Eligible Securities other than China Connect Securities)
CSEMX01	DDI/DCI/EPI Exception Report	Twice daily	after 4:20 p.m. (for DDIs / DCIs / EPIs that have been excluded from same day money settlement by the Clearing House of HKAB for the relevant Eligible Currency) and after 8:20 p.m. (for EPIs that have been excluded from same day Night Settlement)
CSEMP03	CCASS Funding Projection Report (Night Settlement) for Designated Bank	Five times a day	around 5:00 p.m., 5:45 p.m., 6:30 p.m., 7:15 p.m. and 8:00 p.m. (for funding projection as of the completion of each Batch-settlement-run for China Connect Securities)
CSEPI03	Electronic CHATS Payment Instruction Report	Nine times a day	after 9:30 a.m. (for CPIs generated, including CPIs for money settlement between HKSCC and Participants which shall be settled by a specified time on the current day), after 10:30 a.m. (for CPIs generated after the completion of the first Batch-settlement-run), 11:00 a.m. (for CPIs generated upon report generation), after 12:00 noon and 2:00 p.m. (for CPIs generated after the completion of the second and third Batch-settlement-runs for Eligible Securities other than China Connect Securities), after 4:45 p.m., 5:30 p.m., 6:15 p.m. and 7:00 p.m. (for CPIs generated after the completion of the first, second, third and fourth Batch-settlement-runs for China Connect Securities)
CIPMS03	DDI/DCI/EPI Listing for IP Related	Daily	from the time when the report retrieval function is

	Transactions		available (for DDI/DCIs/EPIs relating to Investor Participants generated on the previous day)
CIPMS05	Investor Confirmation Report	Daily	after 2:30 p.m. (for payment confirmation of current day's DDIs/debit EPIs relating to Investor Participants)
CIPDE01	Rejected DDI/EPI Batch Input Control Report	Daily	shortly after the validation of rejected DDI/EPI batch input file, i.e. around 2:00 p.m. (for status of rejected DDI/EPI uploaded on current day)
CETMB02	Broadcast Message Listing	Daily (including Saturday)	from the time when the report retrieval function is available (for previous day's broadcast messages)
DMSDA01	Disabled User Listing	Daily (including Saturday)	Ad hoc
DMSDA02	SRN Listing	Daily (including Saturday)	Ad hoc
DMSDA03	User Group Listing (with Accessible Functions)	Daily (including Saturday)	Ad hoc
DMSDA04	User Profile Listing	Daily (including Saturday)	Ad hoc
DMSDA05	User Profile Maintenance Report	Daily (including Saturday)	Ad hoc
CSEID05	Intra-day Payment Instruction Listing	Daily	around 3:00 p.m. (for Intra-day Payment Instructions issued on the current day)

## 16.8 REPORTS AND STATEMENTS FOR SSA STATEMENT RECIPIENTS RELATING TO SSA WITH STATEMENT SERVICE

Upon authorization by a Clearing Participant or a Custodian Participant under Section 3.4A, HKSCC shall furnish the SSA Statement Recipient with the following advices, statements

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and reports relating to the relevant SSA with Statement Service:

- (i) if there are movements in Eligible Securities during the day in the relevant SSA with Statement Service, a Stock Segregated Account Activity Statement containing information of movements in Eligible Securities during the day in that account. If there are any stock movements in Eligible Securities on a Saturday in the SSA with Statement Service, these will be reflected in the statement generated on the first Business Day in the following week. Where there is no movement in Eligible Securities during the day in the SSA with Statement Service, no statement will be issued.

The following sections are included in the Activity Statement:

- (a) Stock Movement Section: Stock movements in the SSA with Statement Service are listed;
- (b) Payment Summary Section: EPIs effected are listed with the details of the payment;
- (c) Affirm STI Activity Section: Detail activity of affirmed STIs are listed;
- (d) Voting Section: Details of voting instructions, meeting attendance and corporate representative/proxy appointments are shown; and
- (e) Reminder Section: Reminders on corporate actions are shown to all SSA Statement Recipients.

and

- (ii) a Stock Segregated Account Monthly Balance Statement containing statement date balance of Eligible Securities in the SSA with Statement Service. This statement will be generated even for zero-balance accounts.

The Stock Segregated Account Activity Statement and the Stock Segregated Account Monthly Balance Statement in respect of a SSA with Statement Service will also be posted on and available to the SSA Statement Recipient in respect of that SSA with Statement Service via the CCASS Internet System. Either or both of the statements will not be sent by post to the SSA Statement Recipient that have elected, through the Participant, not to receive either or both of them by mail.

In addition to the Stock Segregated Account Activity Statement and the Stock Segregated Account Monthly Balance Statement, HKSCC is also authorised by the Clearing Participant or Custodian Participant under Section 3.4A to send or cause to send to the SSA Statement Recipient messages relating to the change in the details of SSA Statement Recipient and the movements, STI Transfers, voting activities in Eligible Securities in the relevant SSA with Statement Service via the E-mail, SMS at such time, in such form and manner and on such terms and conditions as HKSCC may from time to time prescribe.

## **16.9 ERRORS**

Participants other than Investor Participants and Designated Banks should report immediately to HKSCC in respect of any errors found in CCASS reports and statements specified in this section. Investor Participants should report immediately to HKSCC in respect of any errors found in any CCASS statements.

Participants which are Synapse Users should report immediately to HKSCC in respect of any errors found in Synapse Reports and statements.

Participants which are FINI CP Users should report immediately to HKSCC in respect of any errors found in FINI Reports and statements in accordance with the procedures set out in the FINI User Guide.

For the avoidance of doubt, HKSCC will not 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 a Participant or a Designated Bank.

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## Section 17

### Suspension of Services

#### 17.1 GENERAL

Under the Rules, HKSCC may suspend the whole or any part of HKSCC's facilities or services to deal with emergency situations. In the event of any situation arising which warrants action, HKSCC may suspend its operation and may also change the operational and service schedule as described in Section 6.

Notwithstanding HKSCC will maintain normal clearing and settlement services under severe weather conditions, there will be special arrangements which HKSCC will adopt in relation to CCASS Back-Up Centre and Customer Service Centre, CCASS Depository and nominee services when a Typhoon Signal No. 8 or above is hoisted, extreme conditions are announced by any government authority of Hong Kong ("Extreme Conditions") or a Black Rainstorm Warning is issued as described in this Section. In other cases, HKSCC will notify Participants, Designated Banks, the China Connect Clearing Houses, the Exchange and the Commission in relation to any action or procedures to be adopted, in the event HKSCC decides to suspend any other System or any other services or facilities relating to Eligible Securities and China Connect Securities or the settlement and/or clearance of Foreign Securities held by an Appointed Depository.

The procedures in relation to suspension of FINI services are set out in the FINI Terms and Conditions and the FINI User Guide.

#### 17.2 TYPHOONS, EXTREME CONDITIONS AND RAINSTORMS

##### 17.2.1 [Repealed]

##### 17.2.2 Back-Up Centre and Customer Service Centre

The services and facilities of the Back-Up Centre and Customer Service Centre will normally cease fifteen minutes after a Typhoon Signal No. 8 or above is hoisted or Extreme Conditions are announced on a Business Day and will normally resume two hours after the Typhoon Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 12:00 noon. If the Typhoon Signal is still hoisted or Extreme Conditions are still in force at 12:00 noon on a Business Day, no services or facilities of the Back-Up Centre and Customer Service Centre will be available on that day.

The services and facilities of the Back-Up Centre and Customer Services Centre will remain available if a Black Rainstorm Warning is issued at or after 9:00 a.m. on a Business Day. If a Black Rainstorm Warning is issued before 9:00 a.m. and is cancelled at or before 12:00 noon on a Business Day, the availability of services and facilities of the Back-up Centre and Customer Service Centre will normally resume two hours after the cancellation of such warning. When a Black Rainstorm Warning is issued before 9:00 a.m. and remains in effect at 12:00 noon on a Business Day, no services or facilities of the Back-Up Centre and Customer Service Centre will be available on that day.

##### 17.2.3 [Repealed]

#### **17.2.4 Depository services**

The services and facilities of the CCASS Depository will normally cease fifteen minutes after a Typhoon Signal No. 8 or above is hoisted or Extreme Conditions are announced and will normally resume two hours after the Typhoon Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 12:00 noon on a Business Day. If the Typhoon Signal is still hoisted or Extreme Conditions are still in force at 12:00 noon on a Business Day, there will be no CCASS Depository services for the day and no deposits or withdrawals can be made into or out of the CCASS Depository.

The services and facilities of the CCASS Depository will remain available if a Black Rainstorm Warning is issued at or after 9:00 a.m. on a Business Day. When a Black Rainstorm Warning is issued before 9:00 a.m. and is cancelled at or before 12:00 noon on a Business Day, CCASS Depository services will normally resume two hours after the cancellation of such warning. When a Black Rainstorm Warning is issued before 9:00 a.m. and remains in effect at 12:00 noon on a Business Day, no CCASS Depository services or facilities will be available on that day and no deposits or withdrawals can be made into or out of the CCASS Depository.

##### **17.2.4A Depository services on the last registration day**

In relation to Eligible Securities listed on the Exchange which are subject to book-close dates or record date without book closure, the last registration day (and the latest time) before book-close or record date to submit Eligible Securities for registration to qualify for corporate entitlements may be extended in certain circumstances and accordingly, the latest time by which Participants may deposit Eligible Securities into CCASS to qualify for the relevant corporate entitlements through CCASS may also be extended (as well as the period during which no further deposits or withdrawals of relevant Eligible Securities will be allowed). The position in general is explained further below:

- (i) if a Typhoon Signal No. 8 or above is lowered and/or Extreme Conditions are cancelled (where applicable) at or before 12:00 noon on the last registration day before book-close or record date (or in the case of Debt Securities in bearer form, on the CCASS Record Date imposed by HKSCC), the latest time for submission of relevant Eligible Securities for registration will, under the Exchange's Listing Rules, be deferred to 5:00 p.m. on the same day. In such a case, the time limit for deposits and withdrawals of relevant Eligible Securities by Participants will also be extended from the normal 12:00 noon to 2:30 p.m. on that day (i.e. the last registration day before book-close or record date, or the CCASS Record Date imposed by HKSCC, as the case may be);
- (ia) if only a Black Rainstorm Warning is issued before 9:00 a.m. and is cancelled at or before 12:00 noon on the last registration day before book-close or record date, the latest time for submission of relevant Eligible Securities for registration will, as stipulated under the Exchange's Listing Rules, be deferred to 5:00 p.m. on the same day. In such case, the time limit for deposits and withdrawals of relevant Eligible Securities by Participants will also be extended from the normal 12:00 noon to 2:30 p.m. on that day (i.e. the last registration day before book-close or record date).
- (ii) if a Typhoon Signal No. 8 or above is hoisted and/or Extreme Conditions are announced between 3:00 p.m. and 4:00 p.m. on the last registration day before book-close or record date (or in the case of Debt Securities in bearer form, on the CCASS Record Date imposed by HKSCC) but the Typhoon Signal is lowered or Extreme Conditions are cancelled (where applicable) at or before 9:00 a.m. on the next business day, then under the Exchange's Listing Rules, the latest time for submission of relevant Eligible Securities for registration will be deferred to 12:00 noon on the

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following business day (or 5:00 p.m., if the Typhoon Signal is only lowered or Extreme Conditions are only cancelled (where applicable) after 9:00 a.m. but at or before 12:00 noon on that following business day). In such a case, the normal CCASS deadline of 12:00 noon for deposit and 2:00 p.m. for withdrawal on the original last registration day before book-close or record date (or on the CCASS Record Date imposed by HKSCC, as the case may be) for the purpose of participating in relevant corporate entitlements through CCASS will remain but no deposits or withdrawals of relevant Eligible Securities into or out of CCASS will be allowed until 12:00 noon on the following business day (or for the rest of the following business day, if the Typhoon Signal is lowered and Extreme Conditions are cancelled (where applicable) between 9:00 a.m. and 12:00 noon on that day);

- (iia) if only a Black Rainstorm Warning is issued at or after 9:00 a.m. on the last registration day before book-close or record date, then as stipulated under the Exchange's Listing Rules, the latest time for submission of relevant Eligible Securities for registration will remain at 4:00 p.m. on that day. In such case, the normal CCASS deadline of 12:00 noon on the last registration day before book-close or record date (for the purpose of participating in relevant corporate entitlements through CCASS) will remain;
- (iii) In other cases where under the Exchange's Listing Rules the last registration day before book-close or record date (or in the case of Debt Securities in bearer form, the CCASS Record Date imposed by HKSCC) is extended to 4:00 p.m. on the following business day, the normal CCASS deadline of 12:00 noon for deposit and 2:00 p.m. for withdrawal on the original last registration day before book-close or record date (or on the CCASS Record Date imposed by HKSCC, as the case may be) for the purpose of participating in relevant benefits entitlements through CCASS will also be extended to 12:00 noon on that following business day and, thereafter for the rest of that day, no further deposits and withdrawals of Eligible Securities into or out of CCASS will be allowed.

#### **17.2.5 Nominee services**

In relation to corporate action entitlements, the date for determining eligibility of corporate actions will remain unchanged notwithstanding any severe weather conditions. HKSCC will determine the eligibility of Participants' entitlements with reference to their relevant securities holdings in CCASS as at the original last registration date even if the last registration date is postponed (as stipulated under the Exchange's Listing Rules) due to the hoisting of Typhoon Signal No.8 or above, the announcement of Extreme Conditions or the issuance of a Black Rainstorm Warning. Participants which have lodged and completed the deposit or withdrawal of the physical certificates of the relevant securities with CCASS by the postponed last registration date will have the relevant entitlements in CCASS adjusted accordingly to reflect the respective deposit and withdrawal if necessary.

In relation to Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments, if at any time before the deadline on the last day for inputting Tender Instructions by Participants, a Typhoon Signal No. 8 or above is hoisted, Extreme Conditions are announced or a Black Rainstorm Warning is issued, the deadline for inputting such Tender Instructions may, at the sole discretion of HKSCC, be extended beyond the original deadline on that day. In such case, HKSCC shall notify Participants as



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to such extension through the Broadcast Message function via CCASS Terminals and Participant Gateways and through the CCASS Phone System and the CCASS Internet System.

Late instructions given or inputted by a Participant will result in such Participant not receiving nominee services provided by HKSCC in relation to the corporate actions or activities concerned.

In relation to Electronic Application Instructions for New Issue Shares which are affected as a result of a Typhoon Signal No. 8 or above being hoisted, Extreme Conditions being announced or a Black Rainstorm Warning being issued, the following procedures will usually apply:

- (i) [Repealed]
- (ii) if a Typhoon Signal No. 8 or above is hoisted, Extreme Conditions are in force or a Black Rainstorm Warning is issued at any time between 9:00 a.m. and 12:00 noon on a business day which is a last application day, the last application day will be postponed (unless otherwise decided by the relevant Issuer) to the next business day which does not have such Typhoon Signal, Extreme Conditions and/or Black Rainstorm Warning in force at any time between 9:00 a.m. and 12:00 noon or such other day as specified by the relevant Issuer. If the last application day is postponed, the deadline for application on the last application day will remain at 12:00 noon unless otherwise specified by the relevant Issuer.

**17.2.6** [Repealed]

**17.2.6a** [Repealed]

**17.2.6b** [Repealed]

**17.2.7** [Repealed]

**17.2.8** [Repealed]

**17.2.8A** [Repealed]

**17.2.9** [Repealed]

**17.2.10** [Repealed]

**17.2.11** [Repealed]

**17.2.12** [Repealed]

**17.2.13** [Repealed]

**17.2.14** [Repealed]

**17.3** [Repealed]

**17.4 OTHER CONTINGENCY SITUATIONS**

Other contingency situations will be handled by HKSCC in a manner similar to those described in Section 17.2.

Participants will be notified of the exact arrangements in relation to any suspension of services or facilities via the Broadcast Message Service available through their CCASS Terminals and Participant Gateways and through the Enquiry Service via the CCASS Phone System or the CCASS Internet System or if this is not possible, by other appropriate means.

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## **Section 17A**

### **Clearing Service Termination Event**

#### **17A.1 CALCULATIONS OF NET PAYMENTS FOLLOWING A CLEARING SERVICE TERMINATION EVENT**

##### **17A.1.1 General**

If a Clearing Service Termination Event occurs under Rule 4301, HKSCC shall, without prejudice to any other rights under the Rules, wind down the clearing and settlement services in respect of the relevant Market Contracts in accordance with Rule 4301, in consultation with the Commission.

For the purposes of this Section, (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.

##### **17A.1.2 Calculation of termination value**

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.

As soon as reasonably practicable following a Clearing Service Termination Event, HKSCC shall, with respect to the CNS positions of each Clearing Participant or Clearing Agency Participant arising from its Market Contracts, calculate a net sum payable by or to such Clearing Participant or Clearing Agency Participant. In calculating such net sum, HKSCC will take into account the termination value determined for each Market Contract pursuant to Rule 4301 and this Section of the Operational Procedures, and the value of all other amounts which are payable to HKSCC from the Clearing Participant or Clearing Agency Participant under these Rules or which are payable to the Clearing Participant or Clearing Agency Participant from HKSCC (other than any amounts arising from HKSCC’s obligation to pay an amount equal to (i) the Margin Balance (ii) any income and redemption proceeds on any non-cash Collateral that have not already been paid to or withdrawn by the Clearing Participant or Clearing Agency Participant and/or (iii) the Guarantee Fund Contribution Balance to the relevant Clearing Participant or Clearing Agency Participant, or Former Clearing Participant), whether such amounts are presently payable or not and whether they are liquidated or unliquidated, actual or contingent. Any net sum calculated to be payable by HKSCC to a Clearing Participant or Clearing Agency Participant shall be known as the “Unadjusted Limited Recourse CP Receivable”, and the Unadjusted Limited Recourse CP Receivable of a Clearing Participant is subject to adjustment in accordance with Section 17A.1.3 below. HKSCC will determine any such net sum payable by, or to, a Clearing Participant or Clearing Agency Participant in the Base Currency. For the purpose of the determination under this Section of the Operational Procedures, HKSCC may convert any amounts denominated in any other currency into the Base Currency at such exchange rate determined by HKSCC from such source and on such basis as it shall consider appropriate.

##### **17A.1.3 Payment of Limited Recourse Interim CP Payable, Limited Recourse Final CP Payable and Limited Recourse CP Receivable**

- (i) Limited Recourse Interim CP Payable and Limited Recourse Final CP Payable

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- (a) If, pursuant to Section 17A.1.2 above, a net sum is determined to be payable by a Clearing Participant or Clearing Agency Participant to HKSCC, HKSCC shall deduct all or part of such sum from the Margin Balance consisting of cash in the Base Currency, if any, of the Clearing Participant or Clearing Agency Participant. If, after applying such Margin Balance there remains an amount payable by the Clearing Participant or Clearing Agency Participant to HKSCC (the “Limited Recourse Interim CP Payable”), HKSCC will, as soon as reasonably practicable, notify the relevant Clearing Participant or Clearing Agency Participant of the Limited Recourse Interim CP Payable, and the relevant Clearing Participant or Clearing Agency Participant shall pay HKSCC the Limited Recourse Interim CP Payable within one Business Day following receipt of such notification or within such other time period as may be specified by HKSCC.
- (b) If the Clearing Participant or Clearing Agency Participant fails to pay the Limited Recourse Interim CP Payable within the time frame set out in sub-paragraph (a) above, HKSCC may declare such Clearing Participant or Clearing Agency Participant as a defaulter. HKSCC may, in satisfaction of any due but unpaid Limited Recourse Interim CP Payable, apply any remaining Margin Balance including any cash in other currencies and the cash proceeds of any Collateral Securities (which HKSCC shall be entitled to liquidate) of the Clearing Participant or Clearing Agency Participant, and if the Limited Recourse Interim CP Payable of any Clearing Participant is not satisfied in full following such application, HKSCC will set-off the Guarantee Fund Contribution Balance in respect of such Clearing Participant against the unpaid Limited Recourse Interim CP Payable.
- (c) Following the application by way of set-off of any remaining Margin Balance and, if applicable, any Guarantee Fund Contribution Balance as described in sub-paragraph (b) above, HKSCC shall determine and notify each relevant Clearing Participant or Clearing Agency Participant of the final net sum payable by the Clearing Participant or Clearing Agency Participant in respect of its Limited Recourse Interim CP Payable, if any (“Limited Recourse Final CP Payable”). Each Clearing Participant or Clearing Agency Participant that receives a notice to pay any Limited Recourse Final CP Payable shall pay each such amount to HKSCC in full within one Business Day or within such other time period as may be specified by HKSCC.
- (d) In the event that HKSCC does not receive any part of the Limited Recourse Final CP Payable from a Clearing Participant or Clearing Agency Participant, HKSCC shall take reasonable steps to recover such amount. Such Clearing Participant or Clearing Agency Participant shall be responsible for any costs HKSCC reasonably incurs in attempting to recover such amounts and accordingly the Limited Recourse Final CP Payable actually received from such Clearing Participant or Clearing Agency Participant shall be deemed to be decreased by an amount equal to such costs, unless such costs are paid by such Clearing Participant or Clearing Agency Participant.
- (ii) **Limited Recourse CP Receivable**  
The amount payable by HKSCC to each relevant Clearing Participant or Clearing Agency Participant with respect to its CNS positions arising from Market Contracts shall be known as the “Limited Recourse CP Receivable”. The Limited Recourse CP Receivable of a Clearing Agency Participant shall be equal to its Unadjusted Limited Recourse CP Receivable determined in accordance with Section 17A.1.2 above. In the case of a Clearing Participant, its Limited Recourse CP Receivable shall be calculated by multiplying its Unadjusted Limited Recourse CP Receivable by a percentage (“Limited Recourse Applicable Percentage”) which is equal to the lesser of

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(1) and (2) below provided that if such percentage is a negative number, it should be set to zero:

- (1) 100%; and
- (2) (A) the aggregate value of (I) the Guarantee Fund Resources then held by HKSCC; (II) any Margin Balance applied pursuant to paragraphs (i)(a) and (i)(b) above; and (III) all Limited Recourse Interim CP Payables and/or Limited Recourse Final CP Payables received by HKSCC, less the aggregate value of all Limited Recourse CP Receivables of all Clearing Agency Participants, divided by
  - (B) the aggregate value representing the sum of (I) all Unadjusted Limited Recourse CP Receivables of all Clearing Participants and (II) the Guarantee Fund Contribution Balance in respect of all Clearing Participants or Former Clearing Participants taking into account the operation of Section 17A.1.3(i)(b) above;

HKSCC will notify each relevant Clearing Participant or Clearing Agency Participant of its Limited Recourse CP Receivable upon determination.

(iii) Payment

Payment of any Limited Recourse Interim CP Payable, Limited Recourse Final CP Payable and Limited Recourse CP Receivable shall be settled by HKSCC issuing DDIs or DCIs, where applicable, to the Designated Bank of the relevant Clearing Participant or Clearing Agency Participant as part of the CCASS money settlement process, or in any other manner determined by HKSCC from time to time. All payments made under this Section of the Operational Procedures shall be made in the Base Currency. To the extent that HKSCC determines that it is not possible or reasonably practicable to make payment in the Base 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.

(iv) HKSCC's liability

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 obligation 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 and where applicable adjusted in accordance with Rule 4301 and this Section of the Operational Procedures.

#### **17A.1.4 Return of Margin Balance**

With respect to each Clearing Participant or Clearing Agency Participant, taking into account (if applicable) the operation of Section 17A.1.3 above, HKSCC shall pay an amount equal to the Margin Balance to such Clearing Participant or Clearing Agency Participant in accordance with the Rules.

#### **17A.1.5 Return of Guarantee Fund Contribution Balance**

With respect to each Clearing Participant or Former Clearing Participant which has a positive Guarantee Fund Contribution Balance after payment of its Limited Recourse Interim CP Payable or after determination of its Limited Recourse CP Receivable, as the case may

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be, HKSCC shall pay to each relevant Clearing Participant or Former Clearing Participant an amount equal to its Guarantee Fund Contribution Balance multiplied by the Limited Recourse Applicable Percentage provided that the aggregate sum payable by HKSCC in respect of the Guarantee Fund Contribution Balance for all Clearing Participants and Former Clearing Participants shall not in any event exceed the value of the Guarantee Fund Resources then held by HKSCC. HKSCC may deliver or return to a Clearing Participant or Former 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. Once the Guarantee Fund Resources have been exhausted, the unpaid balance of the Guarantee Fund Contribution Balance shall be extinguished and the relevant Clearing Participant(s) and Former Clearing Participant(s) shall have no further recourse to HKSCC (its affiliates, a recognized exchange controller which is the controller of HKSCC, or any of their respective Representatives) in respect thereof.

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## Section 17B

### HKSCC Failure to Pay Event or HKSCC Insolvency Event

#### 17B.1 CALCULATIONS OF NET PAYMENTS UNDER AN HKSCC FAILURE TO PAY EVENT OR AN HKSCC INSOLVENCY EVENT

##### 17B.1.1 General

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, HKSCC shall, without prejudice to any other rights under the Rules, terminate the Market Contract between HKSCC and the relevant Clearing Participant or Clearing Agency Participant in accordance with Rules 3707 to 3708.

For the purposes of this Section, (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.

##### 17B.1.2 Calculation of termination value

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.

HKSCC shall on, or as soon as reasonably practicable after, the Early Termination Date, with respect to the CNS positions of each relevant Clearing Participant or Clearing Agency Participant arising from its Market Contracts, calculate a net sum payable by or to such Clearing Participant or Clearing Agency Participant. In calculating such net sum, HKSCC will take into account the termination value determined for each Market Contract pursuant to Rule 3707 and this Section of the Operational Procedures, and the value of all other amounts which are payable to HKSCC from the Clearing Participant or Clearing Agency Participant under these Rules or which are payable to the Clearing Participant or Clearing Agency Participant from HKSCC (other than any amounts arising from HKSCC’s obligation to pay an amount equal to (i) the Margin Balance (ii) any income and redemption proceeds on any non-cash Collateral that have not already been paid to or withdrawn by the Clearing Participant or Clearing Agency Participant and/or (iii) the Guarantee Fund Contribution Balance to the relevant Clearing Participant or Clearing Agency Participant or Former Clearing Participant), whether such amounts are presently payable or not and whether they are liquidated or unliquidated, actual or contingent. Any net sum calculated to be payable by HKSCC to a Clearing Participant or Clearing Agency Participant shall be known as the “Unadjusted HKSCC Default CP Receivable” and the Unadjusted HKSCC Default CP Receivable of a Clearing Participant is subject to adjustment in accordance with Section 17B.1.3 below. HKSCC will determine any such net sum payable by, or to, a Clearing Participant or Clearing Agency Participant in the Base Currency. For the purpose of the determination under this Section of the Operational Procedures, HKSCC may convert any amounts denominated in any other currency into the Base Currency at such exchange rate determined by HKSCC from such source and on such basis as it shall consider appropriate.

##### 17B.1.3 Payment of HKSCC Default Interim CP Payable, HKSCC Default Final CP Payable and HKSCC Default CP Receivable

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- (i) **HKSCC Default Interim CP Payable and HKSCC Default Final CP Payable**
- (a) If, pursuant to Section 17B.1.2 above, a net sum is determined to be payable by a Clearing Participant or Clearing Agency Participant to HKSCC, HKSCC shall deduct all or part of such sum from the Margin Balance consisting of cash in the Base Currency, if any, of the Clearing Participant or Clearing Agency Participant. If, after applying such Margin Balance there remains an amount payable by the Clearing Participant or Clearing Agency Participant to HKSCC (the “**HKSCC Default Interim CP Payable**”), HKSCC will, as soon as reasonably practicable, notify the relevant Clearing Participant or Clearing Agency Participant of the HKSCC Default Interim CP Payable, and the relevant Clearing Participant or Clearing Agency Participant shall pay HKSCC the HKSCC Default Interim CP Payable within one Business Day following receipt of such notification or within such other time period as may be specified by HKSCC.
- (b) If the Clearing Participant or Clearing Agency Participant fails to pay the HKSCC Default Interim CP Payable within the time frame set out in subparagraph (a) above, HKSCC may declare such Clearing Participant or Clearing Agency Participant as a defaulter. HKSCC may, in satisfaction of any due but unpaid HKSCC Default Interim CP Payable, apply any remaining Margin Balance including any cash in other currencies and the cash proceeds of any Collateral Securities (which HKSCC shall be entitled to liquidate) of the Clearing Participant or Clearing Agency Participant, and if the HKSCC Default Interim CP Payable of any Clearing Participant is not satisfied in full following such application, HKSCC may set off the Guarantee Fund Contribution Balance in respect of such Clearing Participant against the unpaid HKSCC Default Interim CP Payable.
- (c) Following the application by way of set off of any remaining Margin Balance and, if applicable, any Guarantee Fund Contribution Balance as described in subparagraph (b) above, HKSCC shall determine and notify each relevant Clearing Participant or Clearing Agency Participant of the final net sum payable by the Clearing Participant or Clearing Agency Participant in respect of its HKSCC Default Interim CP Payable, if any (“**HKSCC Default Final CP Payable**”). Each Clearing Participant or Clearing Agency Participant that receives a notice to pay any HKSCC Default Final CP Payable shall pay each such amount to HKSCC in full within one Business Day or within such other time period as may be specified by HKSCC.
- (d) In the event that HKSCC does not receive any part of the HKSCC Default Final CP Payable from a Clearing Participant or Clearing Agency Participant, HKSCC shall take reasonable steps to recover such amount. Such Clearing Participant or Clearing Agency Participant shall be responsible for any costs HKSCC reasonably incurs in attempting to recover such amounts and accordingly the HKSCC Default Final CP Payable actually received from such Clearing Participant or Clearing Agency Participant shall be deemed to be decreased by an amount equal to such costs, unless such costs are paid by such Clearing Participant or Clearing Agency Participant.
- (ii) **HKSCC Default CP Receivable**  
The amount payable by HKSCC to each relevant Clearing Participant or Clearing Agency Participant with respect to its CNS positions arising from Market Contracts shall be known as the “**HKSCC Default CP Receivable**”. The HKSCC Default CP Receivable of a Clearing Agency Participant shall be equal to its Unadjusted HKSCC Default CP Receivable determined in accordance with Section 17B.1.2 above. In the case of a Clearing Participant, its HKSCC Default CP Receivable shall be calculated by multiplying its Unadjusted HKSCC Default CP Receivable by a percentage



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(“HKSCC Default Applicable Percentage”) which is equal to the lesser of (1) and (2) below provided that if such percentage is a negative number, it should be set to zero:

- (1) 100%; and
- (2) (A) the aggregate value of (I) the Guarantee Fund Resources then held by HKSCC; (II) any Margin Balance applied pursuant to paragraphs (i)(a) and (i)(b) above; and (III) all HKSCC Default Interim CP Payables and/or HKSCC Default Final CP Payables received by HKSCC, less the aggregate value of all HKSCC Default CP Receivables of the relevant Clearing Agency Participants, divided by  
  
(B) the aggregate value representing the sum of (I) all Unadjusted HKSCC Default CP Receivables of the relevant Clearing Participants and (II) the Guarantee Fund Contribution Balance in respect of all Clearing Participants or Former Clearing Participants taking into account the operation of Section 17B.1.3(i)(b) above;

HKSCC will notify each relevant Clearing Participant or Clearing Agency Participant of its HKSCC Default CP Receivable upon determination.

(iii) Payment

Payment of any HKSCC Default Interim CP Payable, HKSCC Default Final CP Payable and HKSCC Default CP Receivable shall be settled by HKSCC issuing DDIs or DCIs, where applicable, to the Designated Bank of the relevant Clearing Participant or Clearing Agency Participant as part of the CCASS money settlement process, or in any other manner determined by HKSCC from time to time. All payments made under this Section of the Operational Procedures shall be made in the Base Currency. To the extent that HKSCC determines that it is not possible or reasonably practicable to make payment in the Base 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.

(iv) HKSCC’s Liability

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 obligation 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 and where applicable adjusted in accordance with this Section of the Operational Procedures.

#### **17B.1.4 Return of Margin Balance**

With respect to each relevant Clearing Participant or Clearing Agency Participant, taking into account (if applicable) the operation of Sections 17B.1.3 above, HKSCC shall pay an amount equal to the Margin Balance to such Clearing Participant or Clearing Agency Participant in accordance with the Rules.

#### **17B.1.5 Return of Guarantee Fund Contribution Balance**

With respect to each Clearing Participant or Former Clearing Participant which has a positive Guarantee Fund Contribution Balance after payment of the HKSCC Default Interim CP Payable or after determination of the HKSCC Default CP Receivable, as the case may be,

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HKSCC shall pay to each relevant Clearing Participant or Former Clearing Participant an amount equal to its Guarantee Fund Contribution Balance multiplied by the HKSCC Default Applicable Percentage provided that the aggregate sum payable by HKSCC in respect of the Guarantee Fund Contribution Balance for all Clearing Participants and Former Clearing Participants shall not in any event exceed the value of the Guarantee Fund Resources then held by HKSCC. HKSCC may deliver or return to a Clearing Participant or Former 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. Once the Guarantee Fund Resources have been exhausted, the unpaid balance of the Guarantee Fund Contribution Balance shall be extinguished and the relevant Clearing Participant(s) and Former Clearing Participant(s) shall have no further recourse to HKSCC (its affiliates, a recognized exchange controller which is the controller of HKSCC, or any of their respective Representatives) in respect thereof.

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## Section 18

### Guarantee Fund

#### 18.1 GENERAL

The Guarantee Fund is administered by HKSCC, subject to the supervision of the Risk Management Committee.

The failure of a Clearing Participant to provide its Basic Contribution or Dynamic Contribution to HKSCC will be treated by HKSCC as a default.

#### 18.2 CALCULATION OF CONTRIBUTIONS

##### 18.2.1 Determination of amount

Each Clearing Participant shall pay to HKSCC both the Basic Contribution and the Dynamic Contribution to the Guarantee Fund.

The amount of the Basic Contribution required from a Clearing Participant will be determined by reference to the Clearing Participant's share of the average Expected Uncollateralised Loss of all Clearing Participants during the most recent 60 Business Days, subject to a minimum cash Basic Contribution. The minimum cash Basic Contribution by each DCP shall be HK\$50,000 or HK\$50,000 in respect of each Stock Exchange Trading Right held by such DCP, whichever is the higher. The minimum cash Basic Contribution by each GCP shall be HK\$150,000 or the aggregate of HK\$50,000 in respect of each Stock Exchange Trading Right held by it and HK\$50,000 in respect of each NCCCP with whom such GCP has entered into a Clearing Agreement, whichever is the higher. The size of the aggregate Basic Contributions required from all Clearing Participants shall generally be not less than HK\$100,000,000 provided that HKSCC reserves the right to determine from time to time the required size of the aggregate Basic Contributions.

A Clearing Participant's share of the average Expected Uncollateralised Loss of all Clearing Participants during the most recent 60 Business Days as mentioned above will also be used by HKSCC as the basis for calculating the Clearing Participant's share of the Dynamic Contribution calculated in respect of all Clearing Participants. The "Dynamic Contribution calculated" in respect of all Clearing Participants means the required size of the Guarantee Fund determined by HKSCC (which is an amount below or equal to the Guarantee Fund Threshold) following a review of the size of the Guarantee Fund by HKSCC, less:

- (i) the aggregate Basic Contributions required from all Clearing Participants;
- (ii) resources amounting to 10% or such other percentage of the Guarantee Fund size as HKSCC may determine from time to time which may be appropriated by HKSCC as contributions to the Guarantee Fund; and
- (iii) any other amounts which HKSCC, in its absolute discretion, considers as appropriate to reduce the Dynamic Contribution calculated in respect of all Clearing Participants. Such Clearing Participant's share of the Dynamic Contribution calculated in respect of all Clearing Participants, in money terms, will be the Dynamic Contribution calculated in respect of the Clearing Participant.

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The Dynamic Contribution calculated in respect of the Clearing Participant, determined as above, will be compared with the Dynamic Contribution Credit allowed to the Clearing Participant to determine the Dynamic Contribution required from the Clearing Participant in the following manner: –

- (i) If the Dynamic Contribution calculated equals to the Dynamic Contribution Credit, no Dynamic Contribution will be required and the Dynamic Contribution Credit will be treated as fully utilized by the Clearing Participant.
- (ii) If the Dynamic Contribution calculated exceeds the Dynamic Contribution Credit, the excess amount will be the Dynamic Contribution required and the Dynamic Contribution Credit will be treated as fully utilized by the Clearing Participant.
- (iii) If the Dynamic Contribution calculated is less than the Dynamic Contribution Credit, no Dynamic Contribution will be required. The amount of Dynamic Contribution calculated will be the amount of Dynamic Contribution Credit utilized by the Clearing Participant.

When calculating the Expected Uncollateralised Loss arising from CNS stock positions in Eligible Securities denominated in an Eligible Currency other than Hong Kong dollars, the value of the CNS stock positions will be converted into Hong Kong dollar equivalent at such exchange rates as determined by HKSCC for the purpose of computing the amounts of Basic Contributions and Dynamic Contributions required from Clearing Participants. HKSCC reserves the right to collect the required amounts of Basic Contributions and Dynamic Contributions in an Eligible Currency other than Hong Kong dollars.

#### **18.2.2 Repealed**

#### **18.2.3 Acquisition of additional Stock Exchange Trading Rights and/or increase in number of NCCCPs**

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

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

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

### **18.3 FORM OF CONTRIBUTIONS**

The minimum cash Basic Contribution of a Clearing Participant will be collected by way of a DDI as part of the CCASS money settlement process.

Any further amount required of a Clearing Participant as its Basic Contribution (i.e. in excess of the minimum cash Basic Contribution required) and any amount required of a Clearing Participant as its Dynamic Contribution (other than Assessments and Voluntary Recap Amounts) may be provided in cash in Hong Kong dollars or in any other currency prescribed by HKSCC from time to time. Any Assessments required or Voluntary Recap Amounts requested of a Clearing Participant must be made in cash.

Interest on or other sums accruing to the minimum cash Basic Contribution will be appropriated by HKSCC to the Guarantee Fund. Interest at negative rates on such cash Basic Contribution will also be charged to and paid out of the Guarantee Fund.

Interest on or other sums accruing to Contributions which are made in cash and are in excess of the minimum cash Basic Contribution may be paid to the appropriate Clearing Participant as determined by HKSCC. Interest at negative rates on such cash Contributions in excess of the minimum cash Basic Contribution may be charged to the appropriate Clearing Participant as determined by HKSCC.

## **18.4 REVIEW OF CONTRIBUTIONS**

### **18.4.1 Monthly reviews**

The Basic Contribution and Dynamic Contribution required from each Clearing Participant will be reviewed on a monthly basis, subject to Rule 2509B.

At the beginning of each month, each Clearing Participant will be advised of each of the Basic Contribution and the Dynamic Contribution required from that Clearing Participant, for that month.

### **18.4.2 Ad hoc reviews**

If:

- (i) the daily risk exposure of the Guarantee Fund as calculated by HKSCC on each Business Day exceeds 90% of; and
- (ii) the Guarantee Fund Threshold is higher than

the existing Guarantee Fund size plus the aggregate Dynamic Contribution Credit utilized by all Clearing Participants or if HKSCC considers it appropriate to do so in any other circumstances, HKSCC may, from time to time and in its absolute discretion, review the size of the Guarantee Fund and the Basic Contribution and Dynamic Contribution required from each Clearing Participant. Such review by HKSCC may be undertaken at any time, regardless of whether or not a monthly review of Contributions has recently been, or is soon due to be, completed, subject to Rule 2509B. At a minimum, HKSCC will review the size of Guarantee Fund monthly and HKSCC may, as a result of the ad hoc review or monthly review, require additional amounts as Basic Contributions and/or Dynamic Contributions from Clearing Participants.

### **18.4.3 Collection and redelivery of Contributions following reviews**

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HKSCC will notify Clearing Participants of any additional amounts required from Clearing Participants as Basic Contributions and Dynamic Contributions as a result of a review described in Section 18.4.1 and Section 18.4.2.

Similarly, following such a review, should a Clearing Participant's required Basic Contribution be less than its existing Basic Contribution, HKSCC may (but it is not obliged to) redeliver to the Clearing Participant, by means of DCIs (see Section 14), an amount that is the lesser of :

- (i) the surplus of the Clearing Participant's existing Basic Contribution over its required Basic Contribution; and
- (ii) the surplus of the Clearing Participant's Basic Contribution in cash over its minimum cash Basic Contribution.

In addition, should a Clearing Participant's required Dynamic Contribution be less than its existing Dynamic Contribution and the surplus of the existing Dynamic Contribution over its required Dynamic Contribution is in the form of cash, HKSCC may (but is not obliged to) redeliver to the Clearing Participant, by means of DCIs, an amount that is the cash surplus.

For the avoidance of doubt, HKSCC shall have the absolute right to withhold the redelivery of any surplus Basic Contribution and/or surplus Dynamic Contribution to a Clearing Participant for such period as HKSCC may from time to time consider appropriate.

#### **18.4.4 Appropriation and redelivery of HKSCC resources following reviews**

If as a result of a review described in Section 18.4.1 and Section 18.4.2, additional resources should be appropriated by HKSCC as contributions to the Guarantee Fund or surplus resources should be redelivered to HKSCC, such appropriation or redelivery will under normal circumstances be effected or set aside on the same day as the day of collection from or redelivery to Clearing Participants of Contributions following such review.

### **18.5 PAYMENTS TO BE MADE OUT OF THE GUARANTEE FUND**

The payments which may be made out of the Guarantee Fund are set out in the Rules.

As an internal measure, HKSCC will seek the approval of the Risk Management Committee before recourse is made to the Guarantee Fund.

### **18.6 ASSESSMENTS, VOLUNTARY RECAPITALIZATION AND REPLENISHMENT OF GUARANTEE FUND**

#### **18.6.1 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 Notice of Assessment demanding each Clearing Participant to provide Assessments, subject to the limit set out in Rule 2509. 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.

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Any Assessments required from the Clearing Participants 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. HKSCC may require the amounts to be satisfied in full before any application is made. Any Assessment provided by a Clearing Participant shall form part of its Guarantee Fund Contribution Balance.

#### **18.6.2 Cessation of participation in CCASS**

A Relevant Clearing Participant's liability to provide Assessments will not be affected by its subsequent cessation of participation in CCASS, whether voluntary or involuntary.

Upon ceasing to be a Clearing Participant, 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 (less any pending applications of the Guarantee Fund, up to the time when the Clearing Participant ceased to be a Participant and, if applicable, including without limitation any outstanding obligation to provide Assessments under Rule 2509). Any such redelivery or refund will normally be made by HKSCC six months after termination of a Clearing Participant's participation in CCASS. 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.

#### **18.6.3 Limit on Clearing Participant's liability to Assessments**

The liability of a Clearing Participant to provide Assessments under Rule 2508 shall be limited in accordance with Rule 2509.

In respect of one or more Relevant Events occurring during a Capped Liability Period, the aggregate liability of a Clearing Participant to provide Assessments during a Capped Liability Period pursuant to Rule 2508 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, as prescribed in Rule 2509. For example, assume that the Clearing Participant's Basic Contribution required and Dynamic Contribution calculated on the Business Day immediately preceding the start of the Capped Liability Period is HK\$2,000,000 and the Clearing Participant is not in default. In this case, the maximum liability of the Clearing Participant to provide Assessments would be HK\$4,000,000 (i.e. the Clearing Participant would only be obliged to pay a further sum of HK\$4,000,000 in addition to its existing Contributions of HK\$2,000,000).

Clearing Participants should refer to Rule 2509 of the Rules for further details.

#### **18.6.4 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 Voluntary Recap Request Notice requesting each Clearing Participant to make 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.

#### **18.6.5 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.

#### **18.6.6 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.

#### **18.6.7 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.

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## **Section 19**

### **Financial and Accounting Requirements**

#### **19.1 FINANCIAL REQUIREMENTS**

##### **19.1.1 General**

Other than certain financial requirements applicable to certain types of Participants to qualify for their admission into and continuing participation in CCASS, Participants will be notified by HKSCC if any additional financial requirements are to be imposed by HKSCC in the future.

For convenience, the financial commitments which Participants may have as a result of participation in CCASS are set out in Section 19.1.2. Clearing Participants will have additional financial commitments as a result of participation in CCASS and for convenience, these are set out in Section 19.1.3.

It is the responsibility of each Participant to comply with all financial requirements applicable to it under relevant statutes or regulations.

##### **19.1.2 Financial commitments of Participants**

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

- (i) payment of admission fee to HKSCC at the time of admission;
- (ii) the provision of assurances (e.g. insurance) in respect of its obligations to HKSCC, which may be required by HKSCC at the time of admission or thereafter from time to time;
- (iii) responsibility for defective Eligible Securities deposited into CCASS;
- (iv) payment in respect of money obligations arising out of the settlement of transactions in CCASS on a DVP basis and money obligations in respect of nominee transactions effected in CCASS; and
- (v) payment to HKSCC in respect of costs and expenses of HKSCC's services and facilities and, in the case of services relating to China Connect Securities, fees, expenses, levies and taxes collected by HKSCC for the relevant China Connect Clearing House or other regulatory or tax authority.

##### **19.1.3 Additional financial commitments of Clearing Participants in CCASS**

In addition to the financial commitments referred to in Section 19.1.2, a Clearing Participant will, in summary, also have the following financial commitments as a result of its participation in CCASS :

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- (i) the provision of its Basic Contribution and Dynamic Contribution to HKSCC and, subject to Rule 2509D, the replenishment of its Basic Contribution and Dynamic Contribution upon the expiry of the Capped Liability Period for the account of the Guarantee Fund;
  - (ii) the provision of Assessments to HKSCC;
  - (iii) arranging for indemnity insurance in respect of its liabilities to HKSCC, the Exchange, and a recognized exchange controller which is the controller of HKSCC for defective Eligible Securities deposited into CCASS;
  - (iv) [Repealed]
  - (v) compliance with the risk management measures of HKSCC under the CNS System such as the provision of Marks, Margin and Collateral, as may be required by HKSCC from time to time;
  - (vi) payment in respect of money obligations to HKSCC under the CNS System and to other Clearing Participants under the Isolated Trades System; and
  - (vii) payment in respect of money obligations to HKSCC including but not limited to Termination Value Payable in the contract termination process, Limited Recourse Interim CP Payable or Limited Recourse Final CP Payable in the Clearing Service Termination Event and HKSCC Default Interim CP Payable or HKSCC Default Final CP Payable pursuant to Section 17B.1 of the Operational Procedures.

It is expected that indemnity insurance by Clearing Participants in a form acceptable to HKSCC will be required shortly.

## **19.2 ACCOUNTING REQUIREMENTS**

### **19.2.1 Duty to check accuracy of statements and reports**

It is the responsibility of each Participant to check and reconcile with its own records the advices, statements and reports from time to time issued by HKSCC in relation to a System. A Participant shall immediately notify HKSCC in writing of any error or omission contained in such advices, statements and reports.

### **19.2.2 Duty to keep records**

It is the responsibility of each Participant to keep proper records in relation to its use of the services and facilities of a System, including but not limited to transactions settled in CCASS, the deposits and withdrawals of Eligible Securities into or out of CCASS, and matters relating to nominee transactions effected in CCASS or FINI. Such records shall be kept in sufficient detail to show the dates of the transactions, the parties involved, the quantity of securities involved, the amounts involved etc.

Such records shall be maintained by Participants for a period of at least twenty years where

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

### **19.2.3 Information and returns**

All GCPs which are not Exchange Participants, Clearing Agency Participants, Custodian Participants, Stock Lender Participants and Stock Pledgee Participants are required to submit to HKSCC their audited accounts as soon as they are available.

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

In addition, all GCPs which are registered institutions under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) are required to submit the following to HKSCC:

- (i) audited financial statements and audited consolidated financial statements, including balance sheet and profit and loss accounts, with the auditor's report drawn up in accordance with applicable law and accounting standards within 120 days of the end of the GCP's fiscal year;
- (ii) quarterly balance sheet and profit and loss statements that are signed by authorized signatory or signatories of such GCP, drawn up in accordance with applicable law and accounting standards, within 30 days of its quarter-end date, together with evidence of signing authority and specimen signatures. Save and except for any changes made to a GCP's list of authorized signatory(ies), a GCP is only required to provide evidence of signing authority and specimen signatures for the first time its quarterly balance sheet and profit and loss statements are delivered to HKSCC;
- (iii) copies of all financial returns made by a GCP to its regulator as soon as reasonably practicable following such returns having been submitted to the relevant regulator; and
- (iv) such financial or other relevant information which relates to the GCP's clearing activities or its exposure to general and financial risks, in addition to what is required by this Section 19.2.3, as may be requested by HKSCC at its reasonable discretion from time to time.

### **19.2.4 Audits**

HKSCC may by notice in writing from time to time demand that a Participant furnish to it a certificate of its auditors (in a form acceptable to HKSCC) certifying and reporting on matters specified in HKSCC's notice, including, inter alia :

- (i) that the Participant has complied at all times with the conditions or requirements of its admission or of its continuing participation in HKSCC; and

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- (ii) that the Participant has complied at all times with the provisions of the Rules applicable to it.

The costs and expenses of such audit certificates will be borne by Participants.

#### **19.2.5 Apportionment of liquid capital**

Where a Clearing Participant is a Common Participant or carries on regulated activities under the Securities and Futures Ordinance other than Type 1 or Type 2 regulated activity, it must apportion either a designated amount or a percentage of the liquid capital (as per its latest monthly return filed with the Commission under the Financial Resources Rules and received by HKSCC from the Commission) for the purpose of settling stock positions concluded or to be concluded under the CNS System or satisfying its payment, risk management or other obligations as a Clearing Participant to HKSCC, and, unless otherwise expressly provided, any risk management measures applicable to the Clearing Participant which are calculated based on its liquid capital will be calculated on the basis of its apportioned liquid capital as notified to HKSCC. Notification of a Clearing Participant's initial liquid capital apportionment or any change thereof shall be made by such Clearing Participant submitting to HKSCC an Application/Change Request for Liquid Capital Apportionment Form in the form set out in the CCASS Terminal User Guide for Participants according to the schedule determined by HKSCC from time to time. Any notification of changes to the apportionment received by HKSCC before a time specified by HKSCC from time to time, shall become effective on the same trading day the notification is received by HKSCC. Otherwise, changes to the apportionment shall become effective on the commencement of the next trading day following receipt of the notification by HKSCC. Notwithstanding the foregoing, HKSCC reserves the right to accept or reject any initial apportionment or change of apportionment notified to it at its sole discretion. If no apportionment is notified to HKSCC, HKSCC reserves the right to apportion the liquid capital on behalf of the Clearing Participant.

## **Section 20**

### **Disciplinary Action**

#### **20.1 INFORMATION**

##### **20.1.1 Information**

A Participant shall, as and when required, provide HKSCC in writing with information about its business and transactions in CCASS Eligible Securities for the purposes of:

- (a) satisfying HKSCC that the Rules are being complied with; and
- (b) protecting the integrity of the Systems and the operations of HKSCC.

#### **20.2 MONITORING AND INVESTIGATIONS**

##### **20.2.1 Access to Participant's offices**

Any authorized representative or agent of HKSCC shall be permitted by a Participant or a Participant shall procure that any authorized representative or agent of HKSCC be permitted by the Participant's Settlement Agent, to enter the office premises of the Participant or its Settlement Agent (as the case may be) at all reasonable times for the purposes of investigation and to ensure compliance with the Rules.

##### **20.2.2 Investigation and information**

HKSCC may, for the purposes of obtaining information during any investigation of any matter which it considers relevant to its functions:

- (a) require the production by a Participant of documents and other material in the Participant's or its Settlement Agent's possession, custody, power or control and, if any such documents or material cannot be produced, require the Participant to state to the best of its knowledge and belief where and in whose possession, custody, power or control such documents and materials are;
- (b) interview any director, partner, principal, officer, employee, trainee, agent or representative of a Participant and require him to answer questions and provide explanations or otherwise require answers and explanations from the Participant, and record such answers and explanations electronically or otherwise;
- (c) require the attendance, upon reasonable notice, of a director, partner, principal, officer, employee, trainee, agent or representative of a Participant at a specified date, time and place, to answer questions, provide explanations and/or give evidence.

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## **20.3 RESPONSIBILITY OF PARTICIPANTS**

### **20.3.1 Compliance**

A Participant shall comply or, as the case may be, shall procure compliance by all its directors, partners, principals, officers, employees, trainees, agents or representatives, as the case may be, with the Rules and any requirements of HKSCC made pursuant to the Rules.

### **20.3.2 Conduct of officers, employees and agents of Participants**

A Participant shall be responsible to HKSCC for the acts, omissions and conduct of its directors, partners, principals, officers, employees, trainees, agents and representatives acting in the course of their office, employment, training or agency. Such conduct shall be treated for the purposes of the Rules as the conduct of the Participant.

## **20.4 ACTS OF MISCONDUCT**

### **20.4.1 Grounds for disciplinary action**

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

- (a) a breach of the Rules or the Participant Agreement;
- (b) a failure to comply with any conditions or requirements for its continued participantship in HKSCC as are from time to time imposed by HKSCC;
- (c) a failure to comply with any decision, requirement, condition or direction of HKSCC having binding effect;
- (d) a failure to co-operate with HKSCC in matters relating to any System or an Appointed Depository, whether or not relating to the Participant, which materially affects the interests of HKSCC or other Participants;
- (e) 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;
- (f) errors, delays or other conduct detrimental to the operations of any System or an Appointed Depository or conduct which in HKSCC's opinion is detrimental to the interest or reputation of HKSCC or other Participant;
- (g) provision to HKSCC of information (including information for the purpose of becoming a Participant) which is false, misleading or inaccurate in a material particular;
- (h) being knowingly concerned in, or improper conduct which causes or contributes to an act of misconduct falling within sub-paragraphs (a) to (g) of this Section by another

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person;

- (i) failure to pay a fine or comply with any other disciplinary action or penalty imposed by HKSCC within the specified time;
- (j) 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;
- (k) failure to provide information requested by an exchange, clearing house, regulatory authority or an organization 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);
- (l) if the Participant is a Common Participant, a default in payment of any sum payable to any other Recognized Clearing House or an event of default committed by the Participant under the rules of such Recognized Clearing House;
- (m) if the Participant is a TSF CCASS Participant, a failure to comply with any TSF Participant Registration Criteria or any other conditions or requirements for its continued registration as a TSF CCASS Participant, or a failure to comply with any provisions of, or any of its obligations under, Chapter 12A of the Rules, Section 12 of the Operational Procedures and other related provisions in the Operational Procedures;
- (n) 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;
- (o) 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; and
- (p) if the Participant is a FINI CP User, a failure to comply with any FINI PFR or any money settlement or other obligations with respect to its Electronic Application Instructions for New Issue Shares.

## **20.5 THE DISCIPLINARY FUNCTION OF HKSCC**

### **20.5.1 Summary suspension**

If in its opinion it would be in the interests of HKSCC or Participants to do so, HKSCC may



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summarily suspend a Participant from its participantship in HKSCC or suspend or limit its activities in relation to or its access to any System or any other services and facilities of HKSCC without notifying such Participant beforehand.

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

Within 5 Business Days of the summary suspension or limitation imposed on a Participant by HKSCC, unless such summary suspension or limitation shall have been lifted, HKSCC shall inform such Participant in writing, stating the situation referred to in Rule 2001 alleged to give rise to HKSCC taking the disciplinary action against the Participant together with a concise statement of the facts alleged to give rise to that situation.

A Participant subject to summary suspension or limitation by HKSCC may within 10 Business Days thereof appeal to the Disciplinary Appeals Committee.

A Participant summarily suspended from its participantship in HKSCC shall, notwithstanding the suspension, remain a Participant but shall not be permitted access to any System or any of HKSCC's services or facilities normally permitted by HKSCC to the Participant. Notwithstanding the foregoing, HKSCC may, at its absolute discretion, permit the suspended Participant access to such of its services or facilities as may be determined by HKSCC.

#### **20.5.2 Summary fines and penalties**

HKSCC may notify all Participants that from a specified date, any breach of a specified Rule will result in the imposition of a summary fine or other summary penalty on the Participant concerned. From the specified date, where a breach of any specified Rule by any Participant is established by HKSCC, HKSCC will notify the Participant in writing of the imposition of the summary fine and/or summary penalty and the amount of the fine, if any, being levied. Notwithstanding any appeal by the Participant against the amount of the summary fine levied, the fine shall be paid within 10 Business Days of the receipt by the Participant of the written notification.

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A Participant may appeal against the amount of any summary fine levied and/or other summary penalty imposed pursuant to this Section 20.5.2 on the ground that the fine and/or the penalty imposed was excessive.

An appeal against the imposition of a summary fine and/or summary penalty shall be to the Disciplinary Committee comprised of a group of at least three members of the Disciplinary Committee.

Notice of appeal must be received by the Disciplinary Committee within 10 Business Days of the written notification of the imposition of the summary fine and/or summary penalty. The notice must state the grounds to be relied upon in support of the appeal.

Any determination by the Disciplinary Committee in respect of any appeal submitted to it by a Participant in relation to the imposition of a summary fine and/or other summary penalty shall be final.

### **20.5.3 The Rule Enforcement Team**

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

### **20.5.4 The Risk Management Committee**

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

### **20.5.5 The Disciplinary Committee**

The Disciplinary Committee shall:

- (a) as a tribunal of first instance, hear and determine charges against a Participant in respect of an alleged act of misconduct referred to it;
- (b) as an appellate tribunal, hear and determine appeals against the imposition of summary fines or penalties imposed by HKSCC pursuant to Section 20.5.2.

### **20.5.6 The Disciplinary Appeals Committee**

The Disciplinary Appeals Committee shall:

- (a) hear and determine appeals from the Disciplinary Committee as a tribunal of first instance in accordance with Section 20.5.5(a).

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- (b) hear and determine appeals against the summary suspension of, or the imposition of limitations on a Participant by HKSCC in accordance with Section 20.5.1.

## **20.6 MEMBERSHIP OF COMMITTEE**

### **20.6.1 Membership of the Disciplinary Committee and the Disciplinary Appeals Committee**

The Board of HKSCC shall from time to time appoint the members of the Disciplinary Committee and may empower the Disciplinary Committee to co-opt such persons to the Committee to adjudicate at any disciplinary hearing or any appeal hearing, as the case may be, as the Disciplinary Committee deems appropriate in the circumstances.

The Board shall from time to time appoint independent non-executive directors of HKEX and/or co-opted persons to the Disciplinary Appeals Committee.

No person shall at any one time or at different times for the same case be a member of the Disciplinary Committee and the Disciplinary Appeals Committee and, if the case was subject to a referral by the Risk Management Committee to the Disciplinary Committee pursuant to Section 20.5.4, Risk Management Committee.

### **20.6.2 Legal advisers to the Committee and to the Parties**

A legal adviser, who shall be either a practising barrister or solicitor or an in-house counsel of HKSCC, may be appointed by and may sit with the Disciplinary Committee (including at a pre-hearing review) and with the Disciplinary Appeals Committee to give any legal advice he thinks proper or as the Committee or Appeals Committee, as the case may be, may require.

Any legal advice given by the legal adviser in the absence of the parties shall be repeated in the presence of or delivered in writing to the parties.

On an appeal to the Disciplinary Appeals Committee, a different legal adviser shall be appointed by the Disciplinary Appeals Committee from the legal adviser appointed by the Disciplinary Committee.

Any party to a disciplinary hearing or appeals hearing before the Disciplinary Committee and/or the Disciplinary Appeals Committee, as the case may be, may have present at any such hearing a legal adviser (a solicitor or barrister) to assist the party in the presentation of its case. Except as provided in Section 20.6.3, any such legal adviser shall not represent the party at the hearing.

### **20.6.3 Legal Representation**

The parties appearing before the Disciplinary Committee or the Disciplinary Appeals Committee may, at the discretion of the Disciplinary Committee or the Disciplinary Appeals Committee, as the case may be, be legally represented.

In determining whether or not to exercise its discretion to permit any party to be legally represented, the Disciplinary Committee or the Disciplinary Appeals Committee, as the case

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may be, shall have recourse to the following factors, inter alia:

- (a) the seriousness of the charge(s);
- (b) whether any points of law are likely to arise;
- (c) the capacity of the Participant to present its own case;
- (d) whether there are likely to be any procedural difficulties;
- (e) the need for reasonable speed in reaching a decision; and
- (f) the need for fairness.

#### **20.6.4 Quorum and co-option**

The quorum for a Disciplinary Committee hearing shall be three, except that:

- (a) a pre-hearing review may take place before one member of the Disciplinary Committee;
- (b) with the consent of the Participant, any disciplinary hearing or any appeals hearing may take place or be continued before not less than two members of the Disciplinary Committee;
- (c) the Disciplinary Committee may include a co-opted person who shall count as a member for the purposes of the quorum.

The quorum for a Disciplinary Appeals Committee hearing shall be three, except that:

- (a) with the consent of the Participant, an appeal may take place or be continued before not less than two members of the Disciplinary Appeals Committee; and
- (b) the Disciplinary Appeals Committee may include a co-opted person who shall count as a member for the purposes of the quorum.

#### **20.6.5 Secretary**

The Disciplinary Committee and the Disciplinary Appeals Committee shall each have a secretary to carry out any administrative functions who shall not take part in its deliberations.

#### **20.6.6 Hearings in private**

The Disciplinary Committee hearings and Disciplinary Appeals Committee hearings shall be conducted in private.

#### **20.6.7 Majority decisions**

If at any time the members of the Disciplinary Committee or the Disciplinary Appeals

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Committee are not unanimous as to any finding, penalty or other matter, the decision shall be that of the majority. If they are equally divided, the decision shall be that which most favours the Participant. The Disciplinary Committee and the Disciplinary Appeals Committee shall have no obligation to disclose that its decision was by a majority.

## **20.7 REFERRAL TO THE DISCIPLINARY COMMITTEE**

### **20.7.1 Referrals by the Rule Enforcement Team**

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

### **20.7.2 Statement of Case**

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

## **20.8 PRE-HEARING PREPARATION AND PRE-HEARING REVIEW**

### **20.8.1 Initial exchange of evidence, pleas and proposed directions**

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

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

### **20.8.2 Convening of pre-hearing review**

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

### **20.8.3 Attendance at pre-hearing review**

The Participant shall be represented at the pre-hearing review by a director, officer or partner or by its principal, and may at the discretion of the Disciplinary Committee be represented, if it wishes, by a legal representative.

**20.8.4 Power of Disciplinary Committee at pre-hearing review**

At the pre-hearing review the Disciplinary Committee may give all such directions and take such other steps as it considers appropriate, for the clarification of the facts and issues and generally for their just, efficient and expeditious presentation at the hearing.

**20.8.5 Particular directions**

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

- (a) fix a time and place or make arrangements for the hearing;
- (b) with the consent of the Rule Enforcement Team and the Participant, direct the hearing or any part of the hearing to proceed by written representations;
- (c) record any admissions made by either party and any request to any party to make admissions;
- (d) direct any party to prepare and serve any schedule or notice to admit facts or documents, and the other party to respond thereto;
- (e) direct any party to disclose and serve copies of any documents;
- (f) direct the Participant to serve a written statement of defence setting out in general terms the nature of its defence to any charge and the principal matters with which it takes issue on the statement of case;
- (g) direct the Participant to provide the Rule Enforcement Team with the names of all witnesses to be called at the hearing and their statements or an outline of the matters on which it is intended that they should give evidence;
- (h) make time limits for the service by either party of any further evidence;
- (i) extend or abridge time;
- (j) adjourn the pre-hearing review, with such order as it thinks fit;
- (k) vary or waive compliance with any of Sections 20.8.1 or 20.8.4 or any previous directions of the Disciplinary Committee;
- (l) direct the amendment of any charge; and
- (m) make any order for the payment of costs of or in connection with pre-hearing preparation or the pre-hearing review.

**20.8.6 Record of pre-hearing review**

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A record shall be made of the directions given at the pre-hearing review, which shall be available to the parties and may be referred to at the hearing.

**20.8.7 Failure to comply with pre-hearing rules and directions**

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

**20.8.8 Overriding discretion of the Disciplinary Committee**

The Disciplinary Committee shall not be prevented by Section 20.8.1 or any directions at the pre-hearing review from receiving evidence or proceeding in any manner other than in accordance with Section 20.8.4 or any directions given at the pre-hearing review.

**20.8.9 Departure by Participant from statement of defence or admissions**

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

**20.8.10 Consent order**

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

Such proposed consent order shall comprise:

- (a) proposed admission by the Participant to a charge or charges;
- (b) a proposed order for a penalty or penalties which the Disciplinary Committee would have power to make;
- (c) any proposed order for costs; and
- (d) the terms of a proposed written summary in the form which the Disciplinary Committee might deliver under Section 20.9.17.

If the Disciplinary Committee approves the proposed consent order, or any variation agreed by the parties, it shall immediately make the order.

The consequences of a consent order made by the Disciplinary Committee shall be the same

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as an order made at the conclusion of a hearing of the Disciplinary Committee, except that there can be no appeal and the consent order and penalties on any charges shall have immediate effect including any requirement for HKSCC then to give publicity in accordance with the Rules.

## **20.9 THE DISCIPLINARY COMMITTEE HEARING**

### **20.9.1 Notice**

The Participant shall be given not less than 10 Business Days (but in any event no more than twenty Business Days) written notice of the time and place of the disciplinary hearing by the secretary to the Disciplinary Committee, unless otherwise directed of at the pre-hearing review and agreed by the parties.

### **20.9.2 Admissions of charges in writing**

The Participant may in writing admit any charges to be proceeded with, and deliver any mitigation to the secretary of the Disciplinary Committee not less than 5 Business Days before the hearing.

### **20.9.3 Attendance**

Save in accordance with Section 20.6.3 or any previous direction by the Disciplinary Committee, the Participants shall be represented at the hearing by a director, officer, partner or by its principal.

### **20.9.4 Failure to attend**

If the Participant fails to attend, the Disciplinary Committee may proceed in its absence.

### **20.9.5 Normal order of proceedings**

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

- (a) the charges shall be read by the secretary of the Committee and the Participant asked whether it admits each charge;
- (b) the Rule Enforcement Team shall open the case;
- (c) if any charge is not admitted:
  - (i) the Rule Enforcement Team shall present evidence and/or call witnesses whom the Participant may then cross-examine, the Rule Enforcement Team re-examine, and witness(es) may be asked questions by the Disciplinary Committee;
  - (ii) the Participant may present its evidence and call any witnesses who may be cross-examined, re-examined and questioned by the Disciplinary Committee;
  - (iii) the Rule Enforcement Team may address the Committee, provided that the Participant has presented or called evidence;
  - (iv) the Participant may address the Disciplinary Committee;



- (v) the Disciplinary Committee shall deliberate and announce whether it finds each charge proved;
- (d) when any charge has been admitted or found proved, the Rule Enforcement Team shall give information as to any previous findings of misconduct which may include the findings of regulatory bodies within or outside Hong Kong;
- (e) the Participant may produce or call evidence and/or make representations in mitigation; and
- (f) the Disciplinary Committee will deliberate upon and announce any penalty and order for costs.

**20.9.6 Charges against more than one Participant**

The Disciplinary Committee may hear charges against more than one Participant at the same time if it thinks it just and convenient, and may give directions accordingly.

**20.9.7 Record of the hearing**

A record shall be made of the hearing, electronically or otherwise. Subject to Section 20.10.7, the Participant shall be entitled to a transcription or copy of the record on payment of such cost as determined by the Disciplinary Committee to be reasonable, if any.

**20.9.8 Burden of proof**

Except where otherwise provided in this Section, the burden of proof shall be on HKSCC.

**20.9.9 Standard of proof**

The Disciplinary Committee shall not make any finding of misconduct unless it is satisfied on the evidence adduced at the disciplinary hearing that the alleged act of misconduct has been established to have been committed.

**20.9.10 Evidence and directions**

Proceedings at the Disciplinary Committee hearing shall be governed by this Section and by the rules of natural justice, subject to which the Disciplinary Committee may:

- (a) admit any evidence whether oral or written, whether direct or hearsay, without any requirement that it be on oath, and whether or not the same would be admissible in a court of law;
- (b) make any directions as may be given at a pre-trial hearing, and vary any directions which have been made; and
- (c) make all such directions with regard to the conduct of and procedure at the hearing as the Disciplinary Committee considers appropriate for securing a proper opportunity for the Participant to answer the case against it and otherwise as may be just.

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The Disciplinary Committee may receive in evidence, and make findings against the Participant in reliance upon, any interviews and admissions by persons for whose conduct the Participant had responsibility under Section 20.3.2.

#### **20.9.11 Convictions and findings by other authorities**

The findings of fact of the following bodies shall be prima facie evidence of the facts so found:

- (a) any court of competent jurisdiction outside Hong Kong;
- (b) any committee or tribunal of any of the following bodies exercising regulatory or disciplinary functions:
  - (i) the Commission;
  - (ii) the recognized exchange controller which is the controller of HKSCC;
  - (iii) the Exchange;
  - (iv) an Appointed Depository;
  - (v) any self-regulatory organization or recognized professional body;
  - (vi) any overseas regulatory authority; and
- (c) any other body exercising a regulatory or disciplinary jurisdiction over persons engaged in financial services business whether within Hong Kong or elsewhere.

The findings of fact of any court in Hong Kong which have not been set aside on appeal or otherwise, shall be conclusive evidence of the facts so found.

A criminal conviction by any court in Hong Kong which has not been set aside on appeal or otherwise shall be conclusive evidence of the commission of the offence in question. Whether the offence committed amounts to misconduct shall be a matter for the Disciplinary Committee.

The findings of fact referred to in the immediately preceding two paragraphs may be proved by production of the appropriate certified copy of the judgment or findings, and any conviction referred to may be proved by production of a certificate of conviction.

#### **20.9.12 Disciplinary Actions and Penalties**

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:

- (a) expel the Participant from its participantship in HKSCC;
- (b) suspend the Participant from its participantship in HKSCC;
- (c) limit the Participant's activities in relation to or its access to any System or services and facilities provided by HKSCC (whether in respect of Eligible Securities in

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CCASS or otherwise) on such terms and for such period as shall be considered appropriate;

- (d) impose a fine on the Participant;
- (e) publicly censure the Participant (including its directors, partners, principals, officers, employees, trainees, agents and/or representatives);
- (f) 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 and/or 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;
- (g) notify the matter to any competent authority to which a Participant is subject;
- (h) privately censure the Participant including any of its directors, partners, principals, officers, employees, trainees, agents and/or representatives;
- (i) suspend the Participant's right to use any or all of the Systems, services and/or facilities provided by HKSCC (whether in respect of Eligible Securities in CCASS or otherwise) and/or any or all of the ancillary services to which the Participant has access on such terms and for such period as shall be considered appropriate; and/or
- (j) take such other disciplinary action as the Disciplinary Committee shall consider appropriate in the circumstances.

Where the Disciplinary Committee imposes a penalty of expulsion from participants in HKSCC against a Participant following any disciplinary hearing, and if an appeal is made such penalty is upheld on appeal by the Disciplinary Appeals Committee, such penalty shall not take effect until the penalty of expulsion against the Participant is approved by the Board.

#### **20.9.13 Consideration of other misconduct**

The Disciplinary Committee may take into account any other act of misconduct recorded in writing and admitted by the Participant which the Participant requests to be taken into consideration.

#### **20.9.14 Deliberation in private**

The Disciplinary Committee may deliberate in the absence of the parties at any time.

#### **20.9.15 Adjournment**

The Disciplinary Committee may adjourn a hearing at any time, and may do so on terms as to costs or otherwise as it thinks fit.

**20.9.16 Reservation of judgment**

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

**20.9.17 Written summary of decision**

At the conclusion of the disciplinary proceedings against the Participant, the Disciplinary Committee shall deliver to the Participant and the Rule Enforcement Team a written summary:

- (a) of the charges admitted;
- (b) of its findings as to whether any charges not admitted are proved;
- (c) of its findings or views on any facts or matters to which it wishes to draw attention; and
- (d) of any penalties and order for costs imposed.

**20.9.18 Costs**

The Disciplinary Committee may order a party to the disciplinary hearing to pay such costs and expenses as it considers reasonable excluding any costs or expenses which, in the Disciplinary Committee's view, regardless of the outcome of the case, have been unnecessarily incurred. Such costs and expenses may include the remuneration and expenses of the members of the Disciplinary Committee, legal costs, administration costs and costs incurred in the investigation, preparation and presentation of the case.

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

The Disciplinary Committee may determine the amount of costs to be awarded against a party to the disciplinary hearing.

Costs shall be payable within 10 Business Days of the delivery of the written notice of the order and the amount of the costs.

**20.9.19 Effective date**

Except as provided in Section 20.9.12 with respect to the imposition of a penalty of expulsion, where notice of appeal in relation to any charge is served in accordance with these disciplinary procedures, the penalty on that charge and any order as to costs shall come into effect notwithstanding any pending appeal save that the Disciplinary Committee may in its absolute discretion suspend the penalty and any order as to costs from coming into effect until the determination of the appeal.

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**20.10 APPEAL TO THE DISCIPLINARY APPEALS COMMITTEE****20.10.1 Application of procedural rules of Disciplinary Committee to Disciplinary Appeals Committee**

The following rules shall apply to the proceedings of the Disciplinary Appeals Committee as they apply to the Disciplinary Committee hearing:

Section 20.9.4	(failure to attend)
Section 20.9.6	(charges against more than one Participant)
Section 20.9.7	(record of the hearing)
Section 20.9.14	(deliberation in private)
Section 20.9.15	(adjournment)
Section 20.9.16	(reservation of judgment)
Section 20.9.17	(written summary of decision), and
Section 20.9.18	(costs)

**20.10.2 Time for appeal**

- (a) Within 10 Business Days of service on it of the Disciplinary Committee's written summary, the Participant may appeal to the Disciplinary Appeals Committee by serving a notice of appeal on the Rule Enforcement Team and the secretary to the Disciplinary Committee;
- (b) the Disciplinary Committee or the Disciplinary Appeals Committee may extend time for appeal.

**20.10.3 Notice of appeal**

A notice of appeal shall set out each charge appealed against, the ground or grounds of appeal in relation to each charge and a brief statement of the matters relied upon in relation to each ground.

**20.10.4 Right of appeal against a finding that a charge is proved**

A charge which is proved may be appealed on the following grounds:

- (a) that the Disciplinary Committee misdirected or misconducted itself contrary to this Section or the rules of natural justice;
- (b) that the Disciplinary Committee's decision was one which no reasonable Disciplinary Committee could have reached; and
- (c) that the Disciplinary Committee's decision was based on an error of law or a misinterpretation of the Rules.

**20.10.5 Right of appeal on disciplinary action or penalty**

A Participant may appeal against any disciplinary action or penalty imposed on any charge on the ground that the penalty imposed or the disciplinary action taken by the Disciplinary Committee was excessive.

**20.10.6 Powers of the Disciplinary Appeals Committee**

The Disciplinary Appeals Committee may allow an appeal against a finding that a charge is proved only on one or more of the grounds set out in Section 20.10.4. On dismissing an appeal against the finding that a charge is proved (whether or not there is an appeal against penalty), and on an appeal against penalty on a charge, the Disciplinary Appeals Committee may approve, increase or decrease the penalty imposed by the Disciplinary Committee and/or may make any other order which the Disciplinary Committee could have made.

Where the Disciplinary Appeals Committee imposes the penalty, or affirms the penalty imposed by the Disciplinary Committee, of expulsion of the Participant from participantship in HKSCC, such penalty imposed or affirmed, as the case may be, shall not come into effect until approved by the Board.

**20.10.7 Transcript of proceedings before the Disciplinary Committee**

The secretary to the Disciplinary Appeals Committee will obtain and serve on the parties a transcript or record of the hearing before the Disciplinary Committee or of such part of the hearing as the parties agree is necessary.

**20.10.8 Proceeding only by written submissions**

If both parties consent in writing to the secretary to the Disciplinary Appeals Committee, the appeal may be by written submissions only.

**20.10.9 Notice of the appeal hearing in other cases**

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

**20.10.10 Withdrawal of appeal**

Subject to Section 20.10.14, the Participant may, by writing to the secretary to the Disciplinary Appeals Committee, withdraw its appeal on any charge at any time before the opening of the hearing. On withdrawal, the penalty on that charge which has been suspended during the appeal will come immediately into effect.

**20.10.11 Directions on appeal**

The Disciplinary Appeals Committee may give all such directions as it considers appropriate for the just hearing of the appeal.

**20.10.12 Normal order of proceeding before the Disciplinary Appeals Committee**

The normal order of proceeding will be as follows:

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

- (c) the Participant may reply.

#### **20.10.13 Evidence before the Disciplinary Appeals Committee**

The Disciplinary Appeals Committee shall consider the evidence before the Disciplinary Committee. It may only hear or receive further evidence in relation to any appeal, only if such further evidence was not reasonably obtainable at the time of the hearing before the Disciplinary Committee.

#### **20.10.14 Effective date**

Subject to Section 20.10.6, on any charge in respect of which there has been an appeal which has not been withdrawn in accordance with Section 20.10.10, on the dismissal of the appeal any penalty imposed by the Disciplinary Committee which has been suspended pending the appeal, shall come into effect on service of the written summary by the Disciplinary Appeals Committee. The Disciplinary Appeals Committee, on the dismissal of an appeal, may, if it considers appropriate vary any penalty imposed by the Disciplinary Committee. The Disciplinary Appeals Committee may reassess or affirm any order of costs made by the Disciplinary Committee whether or not an appeal is allowed or dismissed or, notwithstanding that the appeal may have been withdrawn in accordance with Section 20.10.10. Any order as to costs made by the Disciplinary Appeals Committee shall come into effect on service of the written summary by the Disciplinary Appeals Committee.

### **20.11 PUBLICITY AND PUBLIC CENSURE**

#### **20.11.1 Publicity**

- (a) At the conclusion of the disciplinary proceedings whether by a consent order, on expiry of the time for appeal without service of any appeal, on withdrawal of appeal on each charge, or on delivery of the Disciplinary Appeal Committee's written summary in relation to all charges of misconduct admitted or proven, HKSCC may make public by such means as it thinks fit the name of the Participant and the written summary referred to in Sections 20.8.10, 20.9.17 or 20.10.14 as the case may be.
- (b) There shall be no publication of any charge on which the order under Section 20.9.12 is no action, and HKSCC may edit a summary to be made public accordingly.

#### **20.11.2 Public Censure**

In the case where HKSCC decides to publicly censure a Participant, it may do so by:

- (i) issuing a written circular to Participants, the Exchange, a recognized exchange controller which is the controller of HKSCC, the Commission or other regulatory or statutory bodies concerned;
- (ii) transmitting an electronic message through CCASS Terminals and Participant Gateways to Participants;

- (iii) publication in HKSCC in-house journals, newsletters etc; or
- (iv) publication in newspapers, etc.



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## Section 21

### Costs and Expenses

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

#### 21.1 CLEARING AND SETTLEMENT OF EXCHANGE TRADES

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

Notes:

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

Fee debited on T+1.

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

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

Notes:

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

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

Fee debited on T+1.

- |   |                                        |                                                                                                |
|---|----------------------------------------|------------------------------------------------------------------------------------------------|
| — | Money settlement fee under CNS System. | HK\$0.50 for HKD items, CNY items and USD items for each DDI or DCI issued by HKSCC in respect |
|---|----------------------------------------|------------------------------------------------------------------------------------------------|

*Note:*  
Fee debited on the day of money settlement.

of money positions of a Clearing Participant and a Clearing Agency Participant to be settled under the CNS System on each day.

- Money settlement fee for Isolated Trades payable by each Clearing Participant and each Clearing Agency Participant for each Isolated Trade cleared and settled through CCASS.

HK\$0.50 for HKD items, CNY items and USD items for each EPI issued by HKSCC for Isolated Trades settled in CCASS on a DVP basis.

*Note:*  
Fee debited on the day of money settlement.

- Cash Prepayment service fee for releasing Securities-on-hold at the request of a Clearing Participant and a Clearing Agency Participant.

HK\$100 per remittance by a Clearing Participant and a Clearing Agency Participant.

*Notes:*  
Fee debited on the day of remittance. For cash prepayment instructions input with “CHATS” set as the payment method, no such fee will be payable by the Clearing Participant and the Clearing Agency Participant.

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

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

## **21.1A CLEARING AND SETTLEMENT OF CHINA CONNECT SECURITIES TRADES**

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

*Note:*  
Fee debited on T.

- 
- Stock settlement fee payable by a China Connect Clearing Participant for each crossed China Connect Securities Trade cleared and settled through CCASS, i.e. where the buy and sell of a China Connect Securities Trade is handled by the same China Connect Exchange Participant.
- NIL
- Note:*  
Fee debited on T.
- Money settlement fee under CNS System.
- HK\$0.50 for HKD items, CNY items and USD items for each CPI issued by HKSCC in respect of money positions of a China Connect Clearing Participant to be settled under the CNS System on each day.
- Note:*  
Fee debited on the day of money settlement.
- Cash Prepayment service fee for releasing Securities-on-hold at the request of a China Connect Clearing Participant.
- HK\$100 per remittance by a China Connect Clearing Participant.
- Notes:*  
Fee debited on the day of remittance. No such fee will be payable by the China Connect Clearing Participant for Cash Prepayment Instructions with “CHATS” set as the payment method.
- Use of this service is at the option of a China Connect Clearing Participant.
- Refund on the following settlement day of remittance received after the time limit prescribed by HKSCC is also subject to the said cash prepayment service fee.
- Transfer fee payable by each China Connect Clearing Participant for each China Connect Securities Trade cleared and settled through HKSCC pursuant to Chapter 41 of these Rules.
- 0.002% of gross value of such China Connect Securities Trade.
- Notes:*  
Fee debited and collected through

DDI in CNY on T.

This fee is in addition to any transfer fee payable by a China Connect Clearing Participant under Rule 14A11 and Rule 14B11 of the Rules of the Exchange.

- |   |                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| — | Handling fee for the acceptance of Collateral in relation to the early release of Securities-on-hold at the request of a China Connect Clearing Participant. | Accrued daily at 1% per annum on the amount of the Collateral accepted by HKSCC in relation to an application for the early release of Securities-on-hold (Collateral in Eligible Currencies other than HKD will be converted to HKD equivalent at such exchange rate as determined by HKSCC from time to time for computation), from the day of application until the day on which the outstanding payment obligations to HKSCC as secured by such Collateral are fully discharged. |
|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Notes:

The fee will be debited in HKD on the day of application and (where applicable) on the day of completion of settlement.

## 21.2 CLEARING AND SETTLEMENT OF SI TRANSACTIONS

- |   |                                                        |                |
|---|--------------------------------------------------------|----------------|
| — | Stock clearing fee for each SI input by a Participant. | HK\$1.00 each. |
|---|--------------------------------------------------------|----------------|

*Note:*

Fee debited on input date.

- |   |                                                                                |                |
|---|--------------------------------------------------------------------------------|----------------|
| — | Stock clearing fee for each SI amendment or revocation input by a Participant. | HK\$1.00 each. |
|---|--------------------------------------------------------------------------------|----------------|

*Note:*

Fee debited on input date.

- |   |                                                                                                                                                         |                                                                                                                                                     |
|---|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| — | Stock settlement fee for broker-custodian SI Transactions with trade value data input, payable by each counterparty Participant to such SI Transaction. | 0.0020% of the gross value for each such SI Transaction, subject to a minimum fee of HK\$2 and maximum fee of HK\$100 for each such SI Transaction. |
|---|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|

Notes:

Gross value refers to input trade value of eligible non-Debt Securities or nominal value of eligible Debt Securities.

Fee debited on completion of settlement.

For eligible non-Debt Securities, if the gross trade value input is significantly lower than the value

of the subject Eligible Securities determined by HKSCC, HKSCC may use the higher value for the purposes of determining the stock settlement fee payable.

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

*Notes:*

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

Fee debited on completion of Settlement.

*Notes:*

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

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

- Money settlement fee for SI Transactions payable by each counterparty Participant to SI Transactions. HK\$0.50 for HKD items, CNY items and USD items for each EPI issued by HKSCC for SI Transactions settled in CCASS on

a DVP basis.

*Note:*

Fee debited on the day of money settlement.

- Money settlement fee for SI Transactions settled in CCASS on a RDP basis payable by each counterparty Participant to SI Transactions. HK\$0.50 for HKD items, CNY items and USD items per side per SI Transaction elected by the Participants to be settled in CCASS on a RDP basis.

*Note:*

Fee debited on the day of money settlement.

### 21.3 CLEARING AND SETTLEMENT OF ISI TRANSACTIONS

- Stock clearing fee for each ISI input by a Participant other than an Investor Participant. HK\$1.00 each.

*Note:*

Fee debited on input date and payable by the inputting Participant only. No such fee will be payable by Investor Participant.

- Stock clearing fee for each ISI amendment input by a Participant other than an Investor Participant. HK\$1.00 each.

*Note:*

Fee debited on input date and payable by the inputting Participant only. No such fee will be payable by an Investor Participant.

- Stock clearing fee for affirmation of ISI by an Investor Participant. NIL

- Stock settlement fee for ISI Transactions with trade value data input. NIL

*Note:*

The fee is only payable by Investor Participant to such ISI Transaction. No such fee will be payable by the other counterparty Participant to such ISI Transaction.

- Stock settlement fee for ISI Transactions without trade value. NIL

data input.

Note:

The fee is only payable by Investor Participant to such ISI Transaction. No such fee will be payable by the other counterparty Participant to such ISI Transaction.

- |                                                                                                           |                                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| — Money settlement fee for ISI Transactions payable by each counterparty Participant to ISI Transactions. | HK\$0.50 for HKD items, CNY items and USD items for each EPI issued by HKSCC for ISI Transactions settled in CCASS on a DVP basis. |
|-----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|

*Note:*

Fee debited on the day of money settlement.

- |                                                                                                                             |                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| — Money settlement fee for ISI Transactions settled in CCASS on RDP basis payable by each counterparty to ISI Transactions. | HK\$0.50 for HKD items, CNY items and USD items per side per ISI Transaction elected by the Participants to be settled in CCASS on a RDP basis. |
|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|

*Note:*

Fee debited on the day of money settlement.

### 21.3A CLEARING AND SETTLEMENT OF TRANSFER INSTRUCTIONS

- |                                                              |           |
|--------------------------------------------------------------|-----------|
| — Stock clearing fee for each TI submitted by a Participant. | HK\$1.00. |
|--------------------------------------------------------------|-----------|

Note:

Fee debited on date of submission.

- |                                                                                                                                                  |                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| — Stock transfer fee for each TI relating to a transfer between a Participant and a Recognized Dealer or between a Participant and a CMU Member. | 0.002% of the gross value subject to a minimum fee of HK\$2 and maximum fee of HK\$100. |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|

*Notes:*

Gross value for Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments refers to their nominal value.

Fee debited on completion of the TI.

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

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### 21.3B CROSS-BORDER TRANSFER (RECEIPTS/DELIVERIES) INSTRUCTIONS

- Cross-border transfer fee for Cross-Border Transfer Instructions on receipts/deliveries of Foreign Securities and Uncertificated Eligible Securities, as referred to in Rule 907. HK\$200 per receipt / delivery instruction.

*Notes:*

Fee debited on date of submission of instruction.

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

### 21.4 Repealed

### 21.5 DEPOSITORY AND NOMINEE SERVICES

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

*Note:*

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

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

*Notes:*

Fee debited on the day of withdrawal.

Fee inclusive of registration and transfer fee charged by HKSCC.

HKSCC may, on the written application of Participants, waive the registration and transfer fee included in the stock withdrawal fee levied on Participants (which cease to participate in CCASS) due to business restructuring,



cessation of business or liquidation or death of Participants (if an individual) to the extent that HKSCC has made such charge at the previous collection date of the relevant Eligible Securities other than China Connect Securities.

No waiver of the registration and transfer fee included in the stock withdrawal fee shall be allowed by HKSCC on any application by a Participant if the Participant has also applied for and HKSCC has granted the registration and transfer fee concession hereinafter mentioned as a result of such an application.

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

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

*Notes:*

Fee debited on the day of withdrawal.

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

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

*Notes:*

This may include uncertificated or delisted bearer securities.

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

Fee not applicable to Foreign Securities or China Connect Securities.

- 
- Stock withdrawal fee for Foreign Securities. HK\$600 per instruction.
- Notes:*  
Fee debited on completion of withdrawal.
- Fee also applicable to the withdrawal of securities entitlements accruing from Foreign Securities which do not constitute Eligible Securities.
- Out-of-pocket expenses incurred by HKSCC, if any, will be borne by the Participant.
- Stock withdrawal fee for securities entitlements which are non-Eligible Securities. HK\$1 per Board Lot for registered securities or HK\$1 per certificate for bearer securities. Odd lot also charged at HK\$1 each.
- Note:*  
Fee not applicable to Foreign Securities or China Connect Securities.
- Stock custody fee for the custody of securities representing registered securities held in CCASS. HK\$0.012 per Board Lot subject to a maximum of HK\$100,000 per month per Participant. Odd lots also charged at HK\$0.012 each.
- Notes:*  
Fee calculated on aggregate month-end stock quantity balances in Stock Accounts of each Participant.
- For securities that have undergone automatic conversion (for share sub-divisions or consolidations and stock conversions) in CCASS on the last Business Day of a month, the stock quantity balance and board lot before such automatic conversion will be used for calculation of the stock custody fee for that month.
- Fee debited at end of each calendar month.
- Fee not applicable to Foreign Securities or China Connect Securities.

Fee not applicable to a China Connect Clearing House.

- Stock custody fee for the custody of securities in CCASS representing a) bearer Debt Securities, b) Exchange Fund Notes, c) Government Bonds, d) Specified Instruments and e) CMU Instruments. 0.012% per annum on nominal values calculated on a daily basis, subject to a maximum of HK\$300,000 per month per Participant.

*Notes:*

Fee calculated on aggregate daily balance of nominal values of bearer Debt Securities, Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments in Stock Accounts of each Participant.

Fee debited at end of each calendar month.

Fee not applicable to Foreign Securities or China Connect Securities.

Fee not applicable to a China Connect Clearing House.

- Stock maintenance fee for Foreign Securities. HK\$0.25 per 100 shares. Odd lots also charged at HK\$0.25.

*Notes:*

Fee calculated on daily average stock quantity balance of Foreign Securities in Stock Accounts of each Participant on a monthly basis.

For Foreign Securities that have undergone automatic conversion (for share sub-divisions or consolidations and stock conversions) in CCASS on any Business Day of a month, the stock quantity balance before such automatic conversion will be used for calculation of the daily average stock quantity balance for that month.

Fee debited at end of each calendar month.

Fee not applicable to a China Connect Clearing House.

- Portfolio fee for Participants' China Connect Securities held or recorded in CCASS.

*Notes:*

Fee calculated on aggregate daily stock portfolio value in Stock Accounts of each Participant and collected on a monthly basis.

Fee debited at end of each calendar month.

Accrued daily at fixed cumulative percentage per annum on the total daily stock portfolio value of China Connect Securities per Participant.

- The first HK\$50 billion is charged at 0.008%.
- The next HK\$200 billion is charged at 0.007%, the rate applicable to portfolio values above HK\$50 billion and up to HK\$250 billion.
- The next HK\$250 billion is charged at 0.006%, the rate applicable to portfolio values above HK\$250 billion and up to HK\$500 billion.
- The next HK\$250 billion is charged at 0.005%, the rate applicable to portfolio values above HK\$500 billion and up to HK\$750 billion.
- The next HK\$250 billion is charged at 0.004%, the rate applicable to portfolio values above HK\$750 billion and up to HK\$1,000 billion.
- Remainder is charged at 0.003%, the rate applicable to portfolio values above HK\$1,000 billion.

- Portfolio fee for the safe-keeping of Eligible Securities in CCASS of a China Connect Clearing House in respect of each Special Participant.

*Notes:*

Fee calculated on aggregate daily stock portfolio value in Stock Accounts in respect of each Special Participant and collected on a monthly basis.

Fee debited at end of each calendar month.

Accrued daily at fixed cumulative percentage per annum on the total daily stock portfolio value of Eligible Securities of the China Connect Clearing House in respect of each Special Participant.

- The first HK\$50 billion is charged at 0.008%.
- The next HK\$200 billion is charged at 0.007%, the rate applicable to portfolio values above HK\$50 billion and up to HK\$250 billion.
- The next HK\$250 billion is charged at 0.006%, the rate applicable to portfolio values above HK\$250 billion and up

	<ul style="list-style-type: none"> <li>to HK\$500 billion.</li> <li>• The next HK\$250 billion is charged at 0.005%, the rate applicable to portfolio values above HK\$500 billion and up to HK\$750 billion.</li> <li>• The next HK\$250 billion is charged at 0.004%, the rate applicable to portfolio values above HK\$750 billion and up to HK\$1,000 billion.</li> <li>• Remainder is charged at 0.003%, the rate applicable to portfolio values above HK\$1,000 billion.</li> </ul>
— Multi-counter eligible securities transfer fee for the transfer of Multi-counter Eligible Securities of an Issuer from one stock code to another stock code.	NIL
<p><i>Notes:</i> Fee debited on date of submission of instruction.</p>	
— Dividend and other distribution and bonus and Debt Securities interest collection service fee.	0.12% of the aggregate of cash amount of dividend, distribution, bonus and interest per stock/Debt Securities paid to Participant in one currency on the same day, subject to a maximum fee of HK\$10,000 (or its equivalent in foreign currencies).
<p><i>Notes:</i> Fee is charged for cash dividend or cash distribution or cash bonus or cash interest only.</p> <p>No fee is charged for scrip dividend or bonus shares.</p> <p>Fee together with other applicable bank charges will be deducted at source at the time of distribution to Participants.</p> <p>Fee also applicable to Units and Foreign Securities.</p> <p>Fee not applicable to China Connect Securities.</p> <p>Fee not applicable to China Connect Clearing House.</p>	
— Handling fee for conversion, redemption and corporate actions of registered and bearer Debt	HK\$30 per instruction/announcement.

Securities including Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments.

*Notes:*

Fee is debited on input date.

Where there is automatic conversion or redemption of non-eligible registered or bearer Debt Securities including Exchange Fund Notes, Specified Instruments and CMU Instruments, the handling fee shall be payable.

Fee also applicable to Foreign Securities.

- Corporate actions service fee for registered non-Debt Securities.

*Notes:*

Fee applicable to all corporate actions other than collection of cash dividends, cash distribution and bonuses, bonus shares, stock dividends, corporate voting, stock splitting, or stock consolidation.

Fee calculated on stock quantity balances on which the corporate actions are to be taken.

Fee debited on input dates or event dates of corporate actions.

Fee also applicable to automatic exercise of Structured Products at expiry.

Fee also applicable to applications for issue and redemption of Units.

Fee also applicable to Foreign Securities.

Fee not applicable to China Connect Securities.

Fee not applicable to China Connect Clearing House.

- Handling fee for warrant conversion, voluntary takeover,

HK\$0.80 per Board Lot subject to a maximum of HK\$10,000 per instruction or (if no instruction is required for a corporate action) per corporate action per account. Odd lots also charged at HK\$0.80 each. Where the amount calculated as aforesaid exceeds the corresponding amount of cash payment entitlement collected in respect of the corporate action and such cash payment is the only form of entitlement collected in respect of that corporate action (for the avoidance of doubt, this does not apply where there is no cash payment entitlement in respect of a corporate action), the amount of the cash payment.

HK\$600 per instruction.

tender offer, or open offer in respect of Foreign Securities.

*Notes:*

Fee debited on date of submission of instruction.

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

- Handling charge for unclaimed entitlements.

*Notes:*

Fee applicable to claims made by the Participants against HKSCC.

Fee is additional to other fees for relevant nominee services.

Fee is payable on successful claim application.

- Registration and transfer fee.

*Notes:*

HKSCC may incur payments for re-registration of registered Eligible Securities as well as non-Eligible Securities and in relation to adjustments for entitlements in respect of late deliveries under the CNS System.

In relation to portfolio transfer of registered securities from Clearing and/or Custodian Participants' Stock Accounts to the Investor Participant's Stock Account in CCASS by ISI Transactions without trade data value input within the first ten Settlement Days from the date of opening of the investor account and for which HKSCC has granted registration and transfer fee concession to the Investor Participant; the number of Board Lots representing such transfer will be deducted from the aggregate holdings in Board Lots in the Stock Accounts balances of the Clearing and/or Custodian Participant for the purpose of calculating the registration and

HK\$200 per claim application in respect of unclaimed entitlements of a stock or (if the gross cash amount of the unclaimed entitlements is less than HK\$200) the gross cash amount.

HK\$1.50 per Board Lot on net increase in aggregate holdings in Board Lots of registered securities in balances in the Stock Accounts of a Participant since the date on which fee was last collected by HKSCC. Odd lots also charged at HK\$1.50 each.

NIL for Exchange Fund Notes, Government Bonds, Specified Instruments, CMU Instruments and Foreign Securities.

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transfer fee payable by such Clearing and/or Custodian Participant.

Fee is debited on one of the following collection dates:-

- (i) The last registration date of a corporate event of which a book-close date / record date is announced by the issuer of registered securities for determining the registered holders and their registered holdings that qualify for receipt of cash and non-cash entitlements, (other than for receipt of out-of-money rights issue entitlements determined by reference to the closing nominal prices of the underlying securities on the first ex-date, i.e., two trading days prior to the relevant book-close date / record date, for attendance at meetings and votings solely without receipt of any entitlement and for stock conversion into other Eligible Securities only);
- (ii) Event date of corporate actions other than share splitting, share consolidation, stock conversion into other Eligible Securities or corporate actions involving no cash distribution to the registered holders).

Fee is subject to revision if registration and transfer fee is changed by share registrars.

Fee not applicable to China Connect Securities.

Fee not applicable to China Connect Clearing House.

HKSCC may, on written applications of Participants, grant concessions to the Participants



with respect to all or part of the registration and transfer fee and HKSCC may charge a handling charge of HK\$1,000 per application. HKSCC shall stipulate the circumstances, and the criteria to be satisfied, for the grant from time to time.

Concession may be granted on a written application by the Participants if their CCASS participantship is altered due to their business restructuring.

A concessionary registration and transfer fee of HK\$2.50 per certificate will be charged in respect of large denomination registered share/Debt Securities certificates deposited in CCASS instead of the normal registration and transfer fee. Each such registered share/Debt Securities certificate must represent at least 1,000 Board Lots. Such fee will be debited at the time of deposit. The number of Board Lots represented by such large denomination registered share/Debt Securities certificates will not be included in the calculation of the normal registration and transfer fee debited on the relevant collection date.

- |                                                                            |                                   |
|----------------------------------------------------------------------------|-----------------------------------|
| — Bank charges on foreign currency benefits and entitlements distribution. | Actual amounts incurred by HKSCC. |
|----------------------------------------------------------------------------|-----------------------------------|

*Note:*

Recovery of bank charges from Participants will be deducted at source at the time of distribution of entitlements to Participants.

- |                                                                              |                        |
|------------------------------------------------------------------------------|------------------------|
| — Handling fee for Electronic Application Instructions for New Issue Shares. | HK\$5 per instruction. |
|------------------------------------------------------------------------------|------------------------|

*Note:*

Fee is debited on application end date.

- 
- Handling fee for Tender Instructions. HK\$5 per instruction.  
  
*Note:*  
Fee is debited on input date.
  
  - Disbursements and out-of-pocket expenses in connection with nominee services. Actual amounts incurred by HKSCC.  
  
*Note:*  
Recoveries of disbursements and out-of-pocket expenses are additional to other fees for relevant nominee services and will be debited or deducted as and when incurred by HKSCC.
  
  - Subscription fee for CA ISO Message Service. HK\$20,000 per month per Participant.  
  
*Note:*  
Fee calculated at the end of each calendar month and debited on next Business Day.  
  
Fee for the first and final months of CA ISO Message Service will be pro-rated if applicable.
  
  - Handling fee for submitting a requisition to an Issuer. HK\$3,000 per requisition  
  
*Note:*  
Fee is debited upon delivery of the requisition to the Issuer and it is not refundable.

## 21.6 [Repealed]

## 21.7 OTHER MONEY SETTLEMENT FEES

- Money settlement fees for other miscellaneous amounts to be paid to or collected from Participants (eg. Marks, Margin, Basic Contributions, Dynamic Contributions, application and refund monies under Tender Instructions, and any redelivery of HK\$0.50 for HKD items, CNY items and USD items for each DDI/DCI/EPI issued or each CPI settled by HKSCC.

Collateral in relation to the early release of China Connect Securities that are Securities-on-hold).

*Notes:*

Fee debited on the day of money settlement.

Fee not applicable to EPIs issued by HKSCC on a weekly basis for effecting fee payment as referred to in Section 21.14.

- Money settlement fee for Intra-day Payment Instruction. HK\$12.80 for each Intra-day Payment Instruction issued by HKSCC.

*Note:*

Fee debited on the day of money settlement.

## 21.8 REPORT REPRINTING SERVICE

- Report reprinting service fee. HK\$10 per page for lost copies of reports at Participants' request (printed by HKSCC).
- Note:*  
Fee debited on date of service.

## 21.9 (i) Repealed

- (ii) Repealed

### (iii) FEES FOR CCASS TERMINALS

- Establishment of each Authorised User or Delegated Administrator. HK\$250

*Note:*

Fee debited upon establishment of a new Authorised User or Delegated Administrator.

### (iv) FEES FOR PARTICIPANT GATEWAYS

- Supply or replacement of each smartcard. HK\$250.

*Note:*

Fee debited upon delivery of smartcard.

- 
- Supply or replacement of each smartcard reader. HK\$300.  
  
*Note:*  
Fee debited upon delivery of smartcard reader.
  
  - Testing fees of Participant Gateway. HK\$1,500 per day or part thereof for testing on Mondays to Fridays within HKSCC's normal working hours.  
  
*Notes:*  
Fee payable by those Participants which request for additional testing in addition to the free sessions offered by HKSCC. HK\$2,500 per half day or part thereof for testing on Saturdays from 9:30 a.m. to 12:30 p.m.  
  
Fee debited upon completion of testing. HK\$5,000 per day or part thereof for testing on Saturdays from 9:30 a.m. to 4:00 p.m. provided that if testing does not extend beyond 12:30 p.m., the fee payable shall be HK\$2,500.
  
  - Usage fee for each Participant Gateway. HK\$53,000 per annum.

## 21.10 APPLICABLE INTEREST RATES

- Rate of interest chargeable on overdue money balances in HKD or CNY or USD owed to HKSCC. HKD or where applicable, CNY or USD best lending rate of HKSCC's banker plus 2% per annum or the relevant Interbank Offered Rate for HKD, CNY or USD plus 2% per annum, whichever is higher and is incurred by HKSCC.  
  
*Notes:*  
Interest will be debited to the Money Ledger of Participants and collected on a daily basis (except the Billing Account, to which interest will be debited and collected on a weekly basis).  
  
HKSCC shall pay interest at HKD saving account deposit rate or where applicable, CNY or USD savings account deposit rate (or CNY or USD investment rate, if lower) of HKSCC's banker to Participants only if such payment is expressly provided for under the Rules. (other than interest on Marks, Margin and Collateral collected in cash from Participants, which will be at the rate specified below).
  
- Rate of interest allowed or charged on Marks, Margin or Collateral collected To be determined by HKSCC from time to time in accordance with HKD or CNY

in cash in HKD or CNY or USD from the Participant

or USD prevailing bank savings rates

*Notes:*

Interest that may be allowed or charged will be accrued daily and paid or charged monthly to Participants by crediting or debiting, as the case may be, the CCMS House Collateral Accounts of the Participants, on the first Business Day of the following month.

The rate of interest may be varied from time to time by HKSCC without prior notice.

- Rate of interest allowed or charged on Mainland Settlement Deposit and Mainland Security Deposit collected in cash in CNY from the Participant

To be determined by HKSCC from time to time by reference to CNY prevailing bank savings rates and the rate of interest allowed or charged by the China Connect Clearing House

*Notes:*

Interest that may be allowed or charged will be accrued and paid or charged quarterly to Participants by crediting or debiting, as the case may be, Miscellaneous Account of the China Connect Clearing Participant's Money Ledger, on the first Business Day of the following quarter.

The rate of interest may be varied from time to time by HKSCC without prior notice.

## 21.11 SSA WITH STATEMENT SERVICE

- Fee for issuing hard copy statement(s) of each SSA with Statement Service.

HK\$10 per month per account.

*Note:*

A full month's fee will be charged for the months of opening and closing such SSA with Statement Service.

Fee will be debited on the first Business Day of each month.

## 21.11A STOCK SEGREGATED ACCOUNT TRANSFER INSTRUCTIONS

- Clearing Fee for each STI input by a Clearing Participant or Custodian

HK\$1 per instruction

Participant.

*Note:*

Fee debited at end of each calendar month and payable by the inputting Participant.

## **21.12 Repealed**

## **21.13 COSTS AND EXPENSES – MISCELLANEOUS**

Fee for other services and facilities will be specified and announced from time to time by HKSCC.

Unless otherwise stated, all other disbursements and out-of-pocket expenses incurred by HKSCC are to be reimbursed by the respective Participants. The relevant Participants must reimburse HKSCC for any additional disbursements or out-of-pocket expenses incurred by HKSCC, including but not limited to those related to China Connect Securities Trades, on their behalf in the Eligible Currency specified by HKSCC from time to time.

## **21.14 BILLING**

Unless otherwise stated, all fees payable by a Participant other than an Investor Participant will be debited in Hong Kong dollars or the Hong Kong dollar equivalents of the relevant foreign currencies to its Billing Account (a sub-account of its Money Ledger) when due and will be settled on a weekly basis through the generation of EPIs (see further Section 14.5).

Foreign currencies will be converted to their Hong Kong dollar equivalents at exchange rates determined by HKSCC from time to time.

## **21.15 REVIEW OF COSTS AND EXPENSES**

HKSCC shall, from time to time, review the costs and expenses.

## **21.16 DEFAULT FEE FOR LATE DELIVERY UNDER THE CNS SYSTEM**

<p>— Fee for failure to settle CNS short stock position arising from Exchange Trades on the due date (i.e., T+2)</p> <p><i>Notes:</i> Fee will be debited by DDI on T+2.</p>	<p>0.50% multiplied by the market value (based upon the closing price quoted on the Exchange on the due date) of the corresponding short stock position arising from Exchange Trades, subject to a maximum fee of HK\$100,000 for each corresponding short stock position.</p>
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In respect of short stock position for which HKSCC has granted an exemption from a Buy-in, fee will be refunded by DCI on T+3 except that where an exemption is granted under Section 10.8.3(v), (x) and (xii) in respect of failed delivery being due to a Participant's clerical error or calculation error, fee may

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not be refunded at the discretion of HKSCC. However, fee may be debited again if an exemption is granted but delivery of sufficient Eligible Securities is not made on T+3.

Fee may be revised by HKSCC from time to time.

- Fee for failure to settle CNS short stock position in China Connect Securities on the due date (i.e., T)

*Notes:*

Fee will be debited by DDI on T.

In respect of short stock position for which HKSCC has granted an exemption from a Buy-in under Section 10A.6.2A(ii), fee will be refunded by DCI on T+1. However, fee may be debited again if an exemption is granted but delivery of sufficient China Connect Securities is not made on T+1.

Fee may be revised by HKSCC from time to time.

1.00% multiplied by the market value (based upon the closing price quoted on the relevant China Connect Market on the due date) of the corresponding short stock position in China Connect Securities, subject to a maximum fee of HKD200,000 for each corresponding short stock position in China Connect Securities.

## **21.17 FOREIGN CURRENCY DENOMINATED TRANSACTIONS**

Unless otherwise specified, the fee structure set out in this Section 21 shall be applicable to both Hong Kong dollar and non-Hong Kong dollar Eligible Securities transactions. In the case of non-Hong Kong dollar transactions, the calculated fee amounts will be converted into Hong Kong dollar equivalents at exchange rates determined by HKSCC and collected by HKSCC in Hong Kong dollars. Dividend collection fees and interest collection fees will be collected by HKSCC in currency in which the relevant securities are denominated and deducted by HKSCC at source before payment.

## **21.18 PUBLICATIONS**

[Repealed]

**21.18a** [Repealed]

## **21.19 CLEARING AND SETTLEMENT OF TSF FX TRANSACTIONS**

- TSF FX clearing fee NIL

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- TSF FX settlement fee payable by each TSF Clearing Participant for each TSF FX Transaction settled through CCASS. HK\$2 per TSF FX Transaction

*Notes:*

Fee debited on T+1

## **21.20 EXCEPTION HANDLING FEE IN RELATION TO SETTLEMENT OF TSF FX TRANSACTIONS AND EARMARKING OF TSF STOCKS**

- Exception handling fee in respect of a failure to settle a TSF Final FX Position or a TSF payment instruction generated for the settlement of Stock Release FX Transaction on the due date; 0.50% multiplied by the unsettled amount subject to a maximum amount of HK\$100,000 in respect of each failure to settle.

*Notes:*

For the calculation of the fee, if the unsettled amount is in RMB, the fee will be calculated based on the corresponding HKD amount under the HKD money position in respect of the TSF Final FX Position or the stock release payment instruction.

The fee will be debited in HKD by EPIs.

The fee may be revised by HKSCC from time to time.

- Exception handling fee in respect of a failure to transfer the number of shares for earmarking pursuant to Section 12A.5.4(iv) 0.50% multiplied by the HKD money position of the FX transaction executed by HKSCC with the default TSF Clearing Participant pursuant to Section 12A.5.4(iv), subject to a maximum amount of HK\$100,000 in respect of each failure.

*Notes:*

The fee will be debited in HKD by EPIs.

The fee may be revised by HKSCC from time to time.

## **21.21 SPECIAL SEGREGATED ACCOUNT**



- 
- Special Segregated Account Maintenance Fee. HK\$50 per month per account.

*Note:*

A full month's fee will be charged for the months of opening and closing such Special Segregated Account.

Fee will be debited on the first Business Day of each month.

## Section 22

### Tariff for Investor Participants

In this Section 22, references to “HKD” or “HK\$” mean Hong Kong Dollar; references to “CNY” mean Chinese Yuan (Renminbi) and references to “USD” mean US Dollar.

#### 22.1 CLEARING AND SETTLEMENT OF ISI TRANSACTIONS

- |   |                                                                                                                                                                          |                                                                                                                                                       |
|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| — | Stock clearing fee for each ISI input by a Participant other than an Investor Participant.                                                                               | NIL                                                                                                                                                   |
|   | <i>Note:</i><br>The fee is only payable by the inputting Participant. No such fee will be payable by Investor Participant.                                               |                                                                                                                                                       |
| — | Stock clearing fee for each ISI amendment input by a Participant other than an Investor Participant.                                                                     | NIL                                                                                                                                                   |
|   | <i>Note:</i><br>The fee is only payable by the inputting Participant. No such fee will be payable by Investor Participant.                                               |                                                                                                                                                       |
| — | Stock clearing fee for affirmation of ISI by Investor Participant.                                                                                                       | NIL                                                                                                                                                   |
| — | Stock settlement fee for investor-intermediary ISI Transactions with trade value data input, payable by Investor Participant to such ISI Transaction.                    | 0.0020% of the gross value for each such ISI Transaction, subject to a minimum fee of HK\$2 and maximum fee of HK\$100 for each such ISI Transaction. |
|   | <i>Notes:</i><br>Gross value refers to input trade value of eligible non-Debt Securities or nominal value of eligible Debt Securities.                                   |                                                                                                                                                       |
|   | Fee debited on completion of settlement. No such fee will be payable by Participants other than Investor Participants.                                                   |                                                                                                                                                       |
|   | For eligible non-Debt Securities, if the gross trade value input is significantly lower than the value of the subject Eligible Securities determined by HKSCC, HKSCC may |                                                                                                                                                       |

use the higher value for the purposes of determining the stock settlement fee payable.

- |   |                                                                                                                                                                                                 |                                                                                                                                                       |
|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| — | Stock settlement fee for investor-intermediary ISI Transactions without trade value data input and all other types of ISI Transaction, payable by Investor Participant to such ISI Transaction. | 0.0020% of the gross value for each such ISI Transaction, subject to a minimum fee of HK\$2 and maximum fee of HK\$100 for each such ISI Transaction. |
|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|

*Notes:*

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

Fee debited on completion of settlement. No such fee will be payable by Participants other than Investor Participants.

Within the first ten Settlement Days from the date of opening of an investor account, no fee will be charged on ISI Transactions without trade value data input to effect portfolio transfers of stocks from other Participant Stock Accounts to the Investor Stock Account.

- |   |                                                                                                         |                                                                                                                                    |
|---|---------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| — | Money settlement fee for ISI Transactions payable by each counterparty Participant to ISI Transactions. | HK\$0.50 for HKD items, CNY items and USD items for each EPI issued by HKSCC for ISI Transactions settled in CCASS on a DVP basis. |
|---|---------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|

*Note:*

Fee debited on the day of money settlement.

- |   |                                                                                                                                         |                                                                                                                                                  |
|---|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| — | Money settlement fee for ISI Transactions settled in CCASS on a RDP basis payable by each counterparty Participant to ISI Transactions. | HK\$0.50 for HKD items, CNY items and USD items per side per ISI Transactions elected by the Participants to be settled in CCASS on a RDP basis. |
|---|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|

*Note:*

Fee debited on the day of money settlement.

## 22.1A CLEARING AND SETTLEMENT OF TI TRANSACTIONS

- |   |                                |           |
|---|--------------------------------|-----------|
| — | Stock clearing fee for each TI | HK\$1.00. |
|---|--------------------------------|-----------|

submitted by an Investor Participant.

*Note:*

Fee debited on date of submission.

- Stock transfer fee for each TI relating to a transfer between an Investor Participant and a Recognized Dealer or between an Investor Participant and a CMU Member. 0.002% of the gross value subject to a minimum fee of HK\$2 and maximum fee of HK\$100.

*Notes:*

Gross value for Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments refers to their nominal value.

Fee debited on completion of the transfers.

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

## **22.1B CROSS-BORDER TRANSFER (RECEIPTS/DELIVERIES) INSTRUCTIONS**

- Cross-border transfer fee for Cross-Border Transfer Instructions on receipts/deliveries of Foreign Securities and Uncertificated Eligible Securities, as referred to in Rule 907. HK\$200 per receipt / delivery instruction.

*Notes:*

Fee debited on date of submission of instruction.

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

## **22.2 DEPOSITORY AND NOMINEE SERVICES**

- Stock deposit fee for the deposits of certificates representing Eligible Securities into CCASS payable by Investor Participant. NIL

*Notes:*

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

Bearer debt securities will not be accepted for deposit into CCASS by Investor Participants except from the issuer or issuer's agent for initial issue.

- Stock withdrawal fee for registered Eligible Securities payable by Investor Participant.

*Notes:*

Fee debited on the day of withdrawal.

Fee inclusive of the registration and transfer fee charged by HKSCC.

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

No waiver of the registration and transfer fee included in the stock withdrawal fee shall be allowed by HKSCC on any application by an Investor Participant if the Investor Participant has also applied for and HKSCC has granted the registration and transfer fee concession hereinafter mentioned as a result of such an application.

Fee not applicable to Eligible Securities which are Foreign Securities.

- Stock withdrawal fee for eligible bearer Debt Securities payable by Investor Participant.

*Notes:*

Fee debited on the day of withdrawal.

Bearer debt securities withdrawn by

HK\$3.50 per Board Lot, subject to a minimum fee of HK\$20 per withdrawal order. Odd lot also charged at HK\$3.50 each. Transfer deed stamp duty of HK\$5 for each certificate, if any, will be borne by the Investor Participant.

HK\$100 per certificate, subject to a minimum fee of HK\$100 and maximum fee of HK\$3,000 per withdrawal order.

Investor Participants are not allowed to be re-deposited into CCASS.

Fee not applicable to Debt Securities which are Foreign Securities.

- Stock withdrawal fee for other non-Eligible Securities or securities which have been discontinued as Eligible Securities, payable by Investor Participant.
 

*Notes:*  
This may include uncertificated or delisted bearer securities.

Discontinued Eligible Securities by reason of delisting or expiry are also covered (e.g. expired warrants).

Fee debited on the day of withdrawal.

Fee not applicable to Foreign Securities.

HK\$1 per Board Lot for registered securities or HK\$1 per certificate for bearer securities, subject to a minimum fee of HK\$20 and maximum fee of HK\$3,000 per withdrawal order. Odd lot also charged at HK\$1 each.
- Stock withdrawal fee for securities entitlements which are non-Eligible Securities, payable by Investor Participant.
 

*Notes:*  
Fee debited on the day of withdrawal.

Fee not applicable to Foreign Securities.

HK\$1 per Board Lot for registered securities or HK\$1 per certificate for bearer securities, subject to a minimum fee of HK\$20 and maximum fee of HK\$3,000 per withdrawal order. Odd lot also charged at HK\$1 each.
- Stock withdrawal fee for Foreign Securities.
 

HK\$600 per instruction.

*Notes:*  
Fee debited on date of submission of instruction.

Fee applicable to the withdrawal of securities entitlements accruing from Foreign Securities which do not constitute Eligible Securities.

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

- 
- Stock custody fee for the custody of securities representing registered securities held in CCASS payable by Investor Participant. HK\$0.012 per Board Lot subject to a minimum fee of HK\$20 per month and a maximum fee of HK\$3,000 per month per investor account. Odd lots also charged at HK\$0.012 each.
- Notes:*  
Fee debited on the first day of the following calendar month.
- For securities that have undergone automatic conversion (for share subdivisions or consolidations and stock conversions) in CCASS on the last Business Day of a month, the stock quantity balance and board lot before such automatic conversion will be used for calculation of the stock custody fee for that month.
- Fee not applicable to Foreign Securities.
- Stock custody fee for the custody of securities in CCASS representing a) bearer Debt Securities, b) Exchange Fund Notes, c) Government Bonds, d) Specified Instruments and e) CMU Instruments payable by Investor Participant. 0.012% per annum on nominal values calculated on a daily basis, subject to a minimum fee of HK\$20 per month and a maximum fee of HK\$3,000 per month per investor account.
- Notes:*  
Fee calculated on aggregate daily balance of nominal values of bearer Debt Securities, Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments in Investor Stock Account.
- Fee debited on the first day of the following calendar month.
- Fee not applicable to Foreign Securities.
- Stock maintenance fee for Foreign Securities. HK\$0.25 per 100 shares. Odd lots also charged at HK\$0.25.
- Notes:*  
Fee calculated on daily average stock quantity balance of Foreign Securities in Stock Accounts of each Investor Participant on a monthly basis.
- For Foreign Securities that have

undergone automatic conversion (for share sub-divisions or consolidations and stock conversions) in CCASS on any Business Day of a month, the stock quantity balance before such automatic conversion will be used for calculation of the daily average stock quantity balance for that month.

Fee debited at end of each calendar month.

- |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                              |
|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| — | <p>Multi-counter eligible securities transfer fee for the transfer of Multi-counter Eligible Securities of an Issuer from one stock code to another stock code.</p> <p><i>Notes:</i><br/>Fee debited on date of submission of instruction.</p>                                                                                                                                                                                                                                            | NIL                                                                                                                                                                                                                                                                                                                                                                                                          |
| — | <p>Dividend and Debt Securities interest collection service fee payable by Investor Participant.</p> <p><i>Notes:</i><br/>Fee is charged for cash dividend or cash distribution or cash bonus or cash interest only.</p> <p>No fee is charged for scrip dividend or bonus shares.</p> <p>Fee together with other applicable bank charges will be deducted at source at the time of distribution to Investor Participants.</p> <p>Fee also applicable to Units and Foreign Securities.</p> | <p>0.12% of the aggregate of cash amount of dividend, distribution, bonus and interest per stock/Debt Securities paid to Investor Participant in one currency on the same day, subject to a minimum fee of HK\$10 (or the aggregate gross amount of cash dividend, distribution, bonus and interest if smaller than HK\$10), and a maximum fee of HK\$500 (or the fee equivalent in foreign currencies).</p> |
| — | <p>Handling fee for conversion, redemption and corporate actions of registered and bearer Debt Securities including Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments, payable by Investor Participant.</p> <p><i>Notes:</i><br/>Fee debited on affirmation by Investor Participant or event date.</p>                                                                                                                                                     | <p>HK\$30 per instruction / announcement.</p>                                                                                                                                                                                                                                                                                                                                                                |



Where there is automatic conversion or redemption of registered or bearer Debt Securities including Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments, the handling fee shall be payable.

Fee also applicable to Foreign Securities.

- Corporate actions service fee for registered non-Debt Securities payable by Investor Participant.

*Notes:*

Fee applicable to all corporate actions other than collection of cash dividends, cash distribution and bonuses, bonus shares, stock dividends, corporate voting, stock splitting or stock consolidation.

Fee calculated on stock quantity balances on which the corporate actions are to be taken.

Fee debited on input dates or event dates of corporate actions.

Fee also applicable to automatic exercise of Structured Products at expiry.

Fee also applicable to Foreign Securities.

- Handling fee for warrant conversion, voluntary takeover, tender offer, or open offer in respect of Foreign Securities.

*Notes:*

Fee debited on date of submission of instruction.

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

- Handling charge for unclaimed entitlements.

*Notes:*

Fee applicable to claims made by the

HK\$0.80 per Board Lot subject to a minimum fee of HK\$30 per instruction or (if no instruction is required for a corporate action) per corporate action and a maximum fee of HK\$500 per instruction or (if no instruction is required for a corporate action) per corporate action. Odd lots also charged at HK\$0.80 each. Where the amount calculated as aforesaid exceeds the corresponding amount of cash payment entitlement collected in respect of the corporate action and such cash payment is the only form of entitlement collected in respect of that corporate action (for the avoidance of doubt, this does not apply where there is no cash payment entitlement in respect of a corporate action), the amount of the cash payment.

HK\$600 per instruction.

HK\$200 per claim application in respect of unclaimed entitlements of a stock or (if the gross cash amount of the unclaimed entitlements is less than

Investor Participants against HK\$200) the gross cash amount.  
HKSCC.

Fee is additional to other fees for relevant nominee services.

Fee is payable on successful claim application.

— Registration and transfer fee payable by Investor Participant.

HK\$1.50 per Board Lot on net increase in aggregate holdings in Board Lots of registered securities in balances in the Investor Stock Account since the date on which fee was last collected by HKSCC. Odd lots also charged at HK\$1.50 each.

*Notes:*

HKSCC may incur payments for re-registration of registered Eligible Securities as well as non-Eligible Securities and in relation to adjustments for entitlements in respect of late deliveries under the CNS System.

NIL for Exchange Fund Notes, Government Bonds, Specified Instruments, CMU Instruments and Foreign Securities.

Fee is debited on one of the following collection dates:-

- (i) The last registration date of a corporate event of which a book-close date / record date is announced by the issuer of registered securities for determining the registered holders and their registered holdings that qualify for receipt of cash and non-cash entitlements, (other than for receipt of out-of-money rights issue entitlements determined by reference to the closing nominal prices of the underlying securities on the first ex-date, i.e., two trading days prior to the relevant book-close date / record date, for attendance at meetings and votings solely without receipt of any entitlement and for stock conversion into other Eligible Securities only);
- (ii) Event date of corporate actions (other than share splitting, share consolidation, stock conversion into other Eligible Securities or corporate actions with no cash distribution to the registered holders); or

Fee is subject to revision if registration and transfer fee is changed by share registrars.

HKSCC may, on written applications of Investor Participants, grant concessions to Investor Participants with respect to all or part of the registration and transfer fee and HKSCC may charge a handling charge of HK\$1,000 per application. HKSCC shall stipulate the circumstances, and the criteria to be satisfied, for the grant from time to time.

Concession may be granted on stock balances representing portfolio transferred by ISI Transactions without trade value data input from other Participant Stock Accounts to an Investor Stock Account within the first ten Settlement Days from the date of opening of the investor account.

A concessionary registration and transfer fee of HK\$2.50 per certificate will be charged in respect of large denomination registered share/Debt Securities certificates deposited in CCASS instead of the normal registration and transfer fee. Each such registered share/Debt Securities certificate must represent at least 1,000 Board Lots. Such fee will be debited at the time of deposit. The number of Board Lots represented by such large denomination registered share/Debt Securities certificates will not be included in the calculation of the normal registration and transfer fee debited on the relevant collection date.

- Bank charges on foreign currency benefits and entitlements distribution payable by Investor Participant. Actual amount incurred by HKSCC.

*Note:*

Recovery of bank charges from Investor Participants will be deducted at source at the time of

distribution of entitlements to Investor Participants.

- Handling fee for Tender Instructions. HK\$5 per instruction.  
  
*Note:*  
Fee is debited on input date.
- Disbursements and out-of-pocket expenses in connection with nominee services. Actual amounts incurred by HKSCC.  
  
*Note:*  
Recoveries of disbursements and out-of-pocket expenses are additional to other fees for relevant nominee services and will be debited or deducted as and when incurred by HKSCC.
- Handling fee for submitting a requisition to an Issuer. HK\$3,000 per requisition  
  
*Note:*  
Fee is debited upon delivery of the requisition to the Issuer and it is not refundable.

### 22.3 [Repealed]

### 22.4 OTHER MONEY SETTLEMENT FEES

- Money settlement fees for other amounts to be paid to or collected from Investor Participants (e.g. warrants conversion, rights subscriptions, fees and application and refund monies under Tender Instructions) payable by Investor Participant. HK\$0.50 for HKD items, CNY items and USD items for each DDI/DCI/EPI issued or each CPI settled by HKSCC.

*Notes:*  
Fee debited on the day of money settlement.

If the day end balance due for money settlement with HKSCC is less than HK\$10, the balance will be rolled over to the next day and no DDI/DCI will be issued on due date.

**22.5 CUSTOMER SERVICE CENTRE**

- Instructions input service fee. NIL

**22.6 INVESTOR ACCOUNTS MAINTENANCE FEES**

- Fee for opening, re-opening and closing of investor accounts payable by Investor Participants. NIL

*Note:*

A delinquent investor account holder (i.e. having unsettled money balance owing to HKSCC for more than 6 months) will be prohibited to open investor account either singly or jointly with others unless the Investor Participant has duly cleared and settled all amount owed to HKSCC.

- Fee for account maintenance and statement service payable by Investor Participant. NIL

- Fee for re-print of statements and reports by HKSCC payable by Investor Participant.

*Note:*

Fee debited on date of service.

HK\$10 per page for re-print of lost copies of statements and reports at Investor Participants' request, subject to a minimum fee of HK\$20 and a maximum fee of HK\$500 per request.

**22.7 APPLICABLE INTEREST RATES**

- Rate of interest charge on investor account payable by Investor Participant.

*Note:*

HKSCC will charge interest if it is expressly provided for under the Rules.

HKD or where applicable, CNY or USD best lending rate of HKSCC's banker plus 2% per annum or the relevant Interbank Offered Rate for HKD, CNY or USD plus 2% per annum, whichever is higher and is incurred by HKSCC.

- Rate of interest credit on investor account payable to Investor Participants.

HKD, CNY or USD saving account deposit rate of HKSCC's banker.

*Note:*

HKSCC will pay interest credit to Investor Participants only if such

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payment is expressly provided for under the Rules.

**22.8 COSTS AND EXPENSES – MISCELLANEOUS**

Fees for other services and facilities will be specified and announced from time to time by HKSCC.

All other disbursements and out-of-pocket expenses incurred by HKSCC are to be reimbursed by the respective Investor Participants. The relevant Investor Participants must reimburse HKSCC for any additional disbursements or out-of-pocket expenses incurred by HKSCC on their behalf.

**22.9 BILLING**

Unless otherwise stated, all fees payable by an Investor Participant will be debited in Hong Kong dollars or the Hong Kong dollar equivalents of the relevant foreign currencies to its Billing Account (a sub-account of its Money Ledger) when due and will be settled on a monthly basis by Direct Debit Instructions (see further Section 14.4).

Foreign currencies will be converted to their Hong Kong dollar equivalents at exchange rates as determined by HKSCC from time to time.

**22.10 Repealed**

**22.11 REVIEW OF COSTS AND EXPENSES**

HKSCC shall, from time to time, review the costs and expenses.

**22.12 FOREIGN CURRENCY DENOMINATED TRANSACTIONS**

Unless otherwise specified, the fee structure set out in this section 22 shall be applicable to both Hong Kong dollar and non-Hong Kong dollar Eligible Securities transactions. In the case of non-Hong Kong dollar transactions, the calculated fee amounts will be converted into Hong Kong dollar equivalents at exchange rates determined by HKSCC and collected by HKSCC in Hong Kong dollars. Dividend collection fees and interest collection fees will be collected by HKSCC in the currency in which the relevant securities are denominated and deducted by HKSCC at source before payment.

## Section 23

### Tariff for Issuers

#### 23.1 ADMISSION OF STRUCTURED PRODUCTS

- Application fee for admission of unlisted Structured Products in CCASS as Eligible Securities.

*Note:*

Fee is payable by issuers of Structured Products which are not listed on the Exchange.

0.02% of the nominal value of the issue size, subject to a minimum fee of HK\$600 (for each new or further issue within 12 months from the date of issue of the first CCASS admitted unlisted Structured Product by the issuer) or HK\$800 (for each subsequent issue), and a maximum fee of HK\$5,000 per new or further issue at any time.

#### 23.2 ADMISSION OF SECURITIES

- Stock admission fee for admission of securities in CCASS as Eligible Securities for New Issue processed through FINI.

*Note:*

Fee is payable by Issuers on successful admission.

For New Issue with fund raising:

- HK\$50,000 per New Issue for fund raising size below or equal to HK\$200 million;
- HK\$150,000 per New Issue for fund raising size exceeding HK\$200 million and below or equal to HK\$500 million;
- HK\$300,000 per New Issue for fund raising size exceeding HK\$500 million and below or equal to HK\$2,000 million; and
- HK\$600,000 per New Issue for fund raising size exceeding HK\$2,000 million.

For New Issue by introduction:

- HK\$100,000 per New Issue.

- EIPO processing fee for Electronic Application Instructions for New Issue Shares as input by a Participant via FINI.

*Note:*

Fee is payable by Issuers or share registrars on behalf of Issuers.

HK\$10 per instruction, subject to a minimum of HK\$5,000 per New Issue and a maximum of 0.3% of (i) fund raising size in the case of a successful New Issue or (ii) intended fund raising size in the case of an unsuccessful New Issue.

*Note:*

Fund raising size referred to above shall be the gross proceeds of the New Issue based on the final offer price before exercise of over-allotment option, as the case maybe, on the listing date of the Issuer's securities on the Exchange.

Intended fund raising size referred to above shall be the intended gross proceeds of the New Issue as described in the Prospectus, which shall be (i) the mid-point of an offer price range, or (ii) the maximum offer price or the fixed offer price if there is no price range in the Prospectus.



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**APPENDIX 6****COMPULSORY STOCK BORROWING AND LENDING REGULATIONS****1. Interpretation**

1.1 Unless otherwise defined herein, terms defined in the Rules of CCASS shall have the same meaning in these Regulations.

1.2 In these Regulations:

“Adjustment Event” means, in relation to Eligible Securities, a conversion, subdivision, consolidation, redemption, takeover, capitalisation issue, rights issue or event similar to the foregoing but does not include any Income distribution;

“Borrowing Request” means an electronic request generated by HKSCC in accordance with the Operational Procedures specifying the description, title and amount of the Eligible Securities required by HKSCC for the purposes of a Compulsory Stock Borrowing Transaction;

“Collector” means the Collector of Stamp Revenue appointed under Section 3 of the Stamp Duty Ordinance;

“Deemed Recall Date” shall have the meaning given to it in section 6.6;

“Delivery Date” means the date upon which interests in Eligible Securities are transferred to HKSCC in accordance with these Regulations for the purposes of a Compulsory Stock Borrowing Transaction;

“Equivalent Securities” means securities of an identical type, nominal value (if applicable), description and amount to particular Eligible Securities borrowed and such term shall include the certificates and other documents of or evidencing title and transfer in respect of the foregoing (as appropriate).

If and to the extent that a Mandatory Adjustment Event (as defined below) occurs in respect of such Eligible Securities, the expression shall mean, in respect of those Eligible Securities and as appropriate:

- (a) securities equivalent to the borrowed Eligible Securities together with a sum of money or securities or other property equivalent to that received in respect of such borrowed Eligible

Securities as a result of such event; or

- (b) a sum of money or securities or other property equivalent to the money, securities or other property (as applicable) that is received in place of the borrowed Eligible Securities as a result of such event;

“Future Obligations”	shall have the meaning given to it in section 11.1;
“Income”	means any dividends, interest or other distributions of any kind whatsoever with respect to any Eligible Securities;
“Mandatory Adjustment Event”	means an Adjustment Event to which shares will be subject without the need for any consent of, or election by, the holder of those shares in respect of that event;
“Recall Date”	means the date on which a notice of recall is treated as having been served under section 13.3;
“Redelivery Date”	means, as the context requires, the date on which interests in Equivalent Securities are, or are to be, redelivered by HKSCC in accordance with these Regulations under a Compulsory Stock Borrowing Transaction;
“Stamp Duty Ordinance”	means the Hong Kong Stamp Duty Ordinance (Cap.117), as amended from time to time; and
“these Regulations”	means the regulations set out in this Appendix 6 as amended from time to time and shall include, to the extent applicable, the CCASS Rules.

- 1.3 Notwithstanding the use of expressions such as “borrow”, “lend”, “redeliver” etc which are used to reflect terminology used in the market for transactions of the kind provided for in these Regulations, title to Eligible Securities “borrowed” or “lent” in accordance with these Regulations shall, in relation to each Compulsory Stock Borrowing Transaction, pass from the Lender to HKSCC as provided for in these Regulations, HKSCC as the party obtaining title being obliged to redeliver title to Equivalent Securities to the Lender in accordance with these Regulations.

## 2. Loans of Eligible Securities

- 2.1 Compulsory Stock Borrowing Transactions will be made and performed in accordance with the terms and conditions of these Regulations.
- 2.2 Eligible Securities held by a Participant other than an Investor Participant in its Stock Lending Account will be available for lending to HKSCC under these Regulations. Except as otherwise provided in these Regulations, once a Borrowing Request is matched with Eligible Securities in a Participant’s Stock

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Lending Account in accordance with the Operational Procedures, the relevant Eligible Securities will be debited from that Participant's Stock Lending Account and credited to HKSCC's account in CCASS in accordance with the Operational Procedures.

2.3 Subject to sections 9.1(b) and 11.1, in respect of a Compulsory Stock Borrowing Transaction, the Lender agrees that the loan of Eligible Securities has no fixed term and shall be terminable by recall or redelivery in accordance with section 6.

### 3. **Rights and Title**

3.1 In respect of a Compulsory Stock Borrowing Transaction, HKSCC and the Lender agree that upon credit to HKSCC's account in CCASS, all rights, title and interest in and to the Eligible Securities borrowed shall pass from the Lender to HKSCC. HKSCC shall have no obligation to return or redeliver any of the assets so acquired but, in respect of any Eligible Securities that are borrowed, HKSCC shall be obliged, subject to the terms of these Regulations, to redeliver Equivalent Securities.

3.2 Subject to section 3.3, in respect of a Compulsory Stock Borrowing Transaction, where Income is paid in relation to Eligible Securities which are subject to a loan thereunder, HKSCC shall on the date of payment of such Income, or such other date as HKSCC may reasonably select, pay and deliver a sum of money or property equivalent to the amount of such Income that the Lender would have been entitled to receive had such Eligible Securities not been loaned to HKSCC and had been retained by the Lender together with any such endorsements or assignments as shall be customary and appropriate to effect the delivery to the Lender irrespective of whether HKSCC received the same. If in relation to a Compulsory Stock Borrowing Transaction the Lender would have been entitled to receive Income by way of property and HKSCC is unable to deliver the necessary property, HKSCC's obligation to pay such Income shall be satisfied by the payment of cash in an amount which HKSCC fairly and reasonably considers to be the value of the property which was to be delivered, calculated, where appropriate, by reference to the closing price transmitted to HKSCC by the Exchange of such property on the Exchange on the date that the Income is paid.

3.3 To the extent that it is possible, in relation to a Compulsory Stock Borrowing Transaction, to elect for Income to be paid by way of cash or shares, unless the Lender notifies HKSCC by 12:00 noon one Business Day before the last election day specified by the relevant Issuer, HKSCC's obligations to pay Income under section 3.2 shall be satisfied by a cash payment to the Lender of an amount equivalent to the amount of cash which would be received if the election to receive cash was made. If an election to be paid Income by way of shares is validly made in accordance with this section 3.3 and HKSCC is unable to deliver the necessary shares, HKSCC's obligation to pay such Income shall be satisfied by a payment of cash in an amount which HKSCC fairly and reasonably considers to be the value of the shares which were to be delivered, calculated where appropriate, by reference to the closing price transmitted to HKSCC by the Exchange of such shares on the Exchange on the date that the Income is paid.

3.4 Where, in relation to any borrowed Eligible Securities:



- (i) an Adjustment Event, other than a Mandatory Adjustment Event, occurs and the Lender would like to have Equivalent Securities delivered to it in order to consent to or exercise the election under that Adjustment Event; or
- (ii) a right to vote, other than in respect of an Adjustment Event, arises and the Lender would like to have the Equivalent Securities delivered to it in order to exercise that right to vote in relation to the Equivalent Securities,

the Lender shall serve a notice of recall on HKSCC in respect of the affected Equivalent Securities at least six Business Days before the latest date on which such consent may be given, election may be made or vote may be cast (as applicable). If such a notice is validly served by the Lender in accordance with this section 3.4 (as modified by section 13.3), HKSCC shall be obliged to redeliver Equivalent Securities in accordance with section 6.3 or, if applicable, cash in accordance with section 6.4 but shall not be under any liability if the Lender is, for whatever reason (including HKSCC's failure to redeliver the Equivalent Securities in accordance with Section 6.3), unable to give its consent, exercise its election or cast its vote (as applicable). In the absence of a validly served notice by the Lender, the Lender shall have no rights against HKSCC in relation to any right to elect, consent or vote.

3.5 In relation to Eligible Securities that are borrowed by HKSCC under a Compulsory Stock Borrowing Transaction, the Lender has only those rights that are provided for in these Regulations.

#### 4. **Rates**

4.1 In respect of each Compulsory Stock Borrowing Transaction, HKSCC shall make payments to the Lender, in the manner prescribed in section 4.2, calculated in accordance with the Operational Procedures.

4.2 In respect of each Eligible Security borrowed under a Compulsory Stock Borrowing Transaction, the fees referred to in section 4.1 shall accrue daily in respect of the period commencing on and inclusive of the Delivery Date and terminating on and exclusive of the date on which the Equivalent Security is redelivered, save that such fees shall stop accruing with effect on and from the date on which the Lender is declared a Defaulter under CCASS Rules. Unless otherwise agreed, the fees accruing in accordance with this section 4.2 shall be paid in arrears by HKSCC to the Lender by Direct Credit Instruction at the end of each Business Day.

#### 5. **Collateral**

HKSCC shall not, in any circumstances, be required to deliver any form of collateral to the Lender in respect of any loan of Eligible Securities.

#### 6. **Redelivery of Equivalent Securities**

6.1 Subject to section 6.2, HKSCC undertakes to redeliver Equivalent Securities in accordance with these Regulations. For the avoidance of doubt, any reference in these Regulations or in any other agreement or communication between HKSCC and the Lender (howsoever expressed) to an obligation to redeliver or account for or act in relation to borrowed Eligible Securities shall accordingly be construed as a reference to an obligation to deliver or account for or act in relation to Equivalent Securities.

- 6.2 If for any reason HKSCC is unable to deliver Equivalent Securities (or part thereof) HKSCC's obligations under section 6.1 in respect of the undeliverable Equivalent Securities shall be satisfied by the payment of an amount which HKSCC fairly and reasonably considers to be the value of the undeliverable Equivalent Securities, calculated, where appropriate, by reference to the closing price transmitted to HKSCC by the Exchange of such securities on the date of payment.
- 6.3 In relation to a Compulsory Stock Borrowing Transaction, the Lender may call for the redelivery of all Equivalent Securities (but not part only) at any time by serving a notice of recall on HKSCC, save that a notice of recall shall not be served on the same day as Eligible Securities are delivered to HKSCC under that transaction. HKSCC shall, as hereinafter provided, redeliver such Equivalent Securities no later than five Business Days following the Recall Date.
- 6.4 Subject to section 6.6, if, in relation to a Compulsory Stock Borrowing Transaction, HKSCC fails to redeliver Equivalent Securities in accordance with section 6.3, the Lender may elect for cash compensation. Such election may be made either in the Lender's notice of recall or by notice to HKSCC at any time commencing from the sixth Business Day following the Recall Date. If, in relation to a Compulsory Stock Borrowing Transaction, the Lender does not make an election for cash compensation in the notice of recall and HKSCC fails to redeliver Equivalent Securities in accordance with section 6.3, the Lender shall, until it notifies HKSCC otherwise, be deemed to have withdrawn its notice of recall and to have elected to continue the loan. If, in relation to a Compulsory Stock Borrowing Transaction, the Lender elected for cash compensation in his notice of recall such compensation will be paid on the fifth Business Day following the Recall Date. If, in relation to a Compulsory Stock Borrowing Transaction, the Lender did not make such an election in his notice of recall but elects cash compensation on or after the sixth Business Day following the Recall Date, such compensation shall be paid on the day that the notice of election is treated as having been served under section 13.3. For the purposes of this section 6.4, cash compensation shall be paid in an amount which HKSCC fairly and reasonably considers to be the value of the Equivalent Securities which were to be redelivered calculated, where appropriate, by reference to the closing price transmitted to HKSCC by the Exchange of such securities on the date of that cash compensation is paid.
- 6.5 HKSCC shall be entitled at any time to terminate a particular Compulsory Stock Borrowing Transaction in whole or in part and to redeliver the relevant Equivalent Securities to the Lender under that transaction by crediting the Stock Lending Account of the Lender in CCASS. The Lender shall be notified of the redelivery on the same Business Day and shall accept such redelivery.
- 6.6 If, in relation to any Compulsory Stock Borrowing Transaction:
- (a) a notice of recall has been validly served by the Lender in accordance with section 13.3 and the Redelivery Date falls on a day when the relevant Equivalent Securities are suspended from trading on the Exchange; or
  - (b) the relevant Equivalent Securities are suspended from trading on the Exchange for 31 consecutive days and the Lender has not already served a notice of recall,

in the case of section 6.6(b), such Lender, shall be deemed to serve a notice of recall on the Business Day immediately following that 31st day (the "Deemed Recall Date") and in the case of either section

6.6 (a) or (b), HKSCC may elect to either redeliver Equivalent Securities or make a cash compensation payment. In each case, the Equivalent Securities or the cash compensation payment shall be redelivered or paid (as applicable) no later than five Business Days following the Recall Date or Deemed Recall Date as the case may be. For the purposes of this section 6.6, cash compensation shall be paid in an amount which HKSCC fairly and reasonably considers to be the value of the Equivalent Securities which were to be redelivered calculated, where appropriate, by reference to the last closing price transmitted to HKSCC by the Exchange of such securities on the date that cash compensation is paid.

- 6.7 No suspension in trading on the Exchange of Eligible Securities borrowed under a Compulsory Stock Borrowing Transaction shall prevent the Lender from submitting a notice of recall in respect of the Equivalent Securities.
- 6.8 Cash compensation paid by HKSCC in accordance with sections 6.4 or 6.6 in relation to a Compulsory Stock Borrowing Transaction shall constitute complete satisfaction of HKSCC's obligations in respect of that transaction.

## 7. **Taxation**

HKSCC hereby undertakes promptly to pay and account for any stamp duty chargeable in connection with any Compulsory Stock Borrowing Transaction, and shall indemnify and keep indemnified the Lender against any liability arising in respect thereof as a result of HKSCC's failure to do so.

## 8. **Lender's Warranties**

- 8.1 Each Lender hereby warrants and undertakes to HKSCC on a continuing basis to the intent that such warranties shall survive the completion of any Compulsory Stock Borrowing Transaction entered into by HKSCC and that Lender that:
- (a) it is duly authorized and empowered to enter into and perform its duties and obligations under these Regulations;
  - (b) it is not restricted under the terms of its constitution or in any other manner from lending Eligible Securities in accordance with these Regulations or from otherwise performing its obligations under these Regulations;
  - (c) it is absolutely entitled to pass full legal and beneficial ownership of all Eligible Securities provided by it under these Regulations to HKSCC free from all liens, charges and encumbrances and authority to lend or deposit the Eligible Securities shall be in the form as prescribed by HKSCC from time to time; and
  - (d) it is acting as principal for its own account in respect of each Compulsory Stock Borrowing Transaction that it enters into.

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## 9. **HKSCC's Warranties**

9.1 HKSCC hereby warrants and undertakes to each Lender on a continuing basis to the intent that such warranties shall survive the completion of any Compulsory Stock Borrowing Transaction entered into with that Lender that:

- (a) it is borrowing or will borrow Eligible Securities under these Regulations for one or more of the "specified purposes" as required by Section 19 of the Stamp Duty Ordinance namely:
  - (i) to settle a contract to sell such Eligible Securities, whether agreed or not when the transaction is effected and whether by HKSCC or another person; or
  - (ii) to replace, in whole or in part Eligible Securities obtained by HKSCC under another stock borrowing (as defined in Section 19(16) of the Stamp Duty Ordinance); and
- (b) it will comply with the requirement for a "stock return" under Section 19 of the Stamp Duty Ordinance.

## 10. **HKSCC's Obligations**

10.1 HKSCC hereby undertakes to each Participant which has a Stock Lending Account that it shall:

- (a) provide the Collector with a copy of these Regulations and any amendments made to them from time to time;
- (b) within two (2) weeks of HKSCC opening a Stock Lending Account on behalf of that Participant, provide the Collector with: (i) a completed Stock Lending Account Opening form in the form prescribed from time to time by HKSCC; (ii) such fees as may be specified from time to time by the Financial Secretary for these purposes; and (iii) such other documents, particulars and information as the Collector may reasonably require; and
- (c) promptly comply with all filing and reporting obligations and do all other acts and things as may be reasonably required by the Collector from time to time.

10.2 In the event that HKSCC is in breach of any of its undertakings under section 10.1 above, the relevant Participant may (but shall not be obliged to) provide the Collector with a completed notice of Opening of a Stock Lending Account, in the form set out in the CCASS Terminal User Guide for Participants, pay such fee and/or provide such other documents, particulars and information and/or do all other acts and things at the cost and expense of and on behalf of HKSCC, without prejudice to the provisions of the Regulations.

10.3 HKSCC acknowledges that each Participant with a Stock Lending Account may notify the Collector of these Regulations and the Compulsory Stock Borrowing Transactions entered into by that Participant pursuant to these Regulations.

10.4 Each Participant with a Stock Lending Account acknowledges that HKSCC may notify the Collector of these Regulations and the Compulsory Stock Borrowing Transactions entered into by that Participant pursuant to these Regulations.

11. **Set-Off**

11.1 In the event that HKSCC declares a Participant with a Stock Lending Account to be a Defaulter in accordance with the Rules of CCASS, neither HKSCC nor that Participant shall be obliged to make any further payments, deliveries or redeliveries (the "Future Obligations") under or in respect of any Compulsory Stock Borrowing Transaction which would, but for this section 11 have fallen due for performance on or after the date on which such declaration is made.

11.2 HKSCC shall on, or as soon as reasonably practicable after, the date on which the Participant is declared a Defaulter determine what HKSCC fairly and reasonably considers to be the value to each of HKSCC and the Participant of the Future Obligations.

11.3 HKSCC shall be entitled to include in any set off under CCASS Rule 1207 amounts calculated pursuant to section 11.2 together with any amounts due and payable under or in respect of these Regulations by HKSCC to the Participant or vice versa on or before the date on which the Participant is declared a Defaulter but remaining unpaid as though such amounts were amounts expressly referred to in Rule 1207 as being subject to the set off provisions in that Rule.

12. **Termination of Course of Dealings by Notice**

Each Participant with a Stock Lending Account shall have the right to bring the course of lending contemplated under these Regulations to an end by giving not less than 15 Business Days' notice in writing to HKSCC (which notice shall specify the date of termination). All Compulsory Stock Borrowing Transactions which are unsettled at the time such notice is given are to be duly settled in accordance with these Regulations.

13. **Notices**

13.1 All notices issued by a Participant under these Regulations shall be given through that Participant's CCASS terminal or by such other means as HKSCC may prescribe from time to time.

13.2 Subject to section 14, all notices issued by HKSCC under these Regulations shall be given in accordance with the Operational Procedures.

13.3 For the purposes of these Regulations and, unless otherwise specified, the Operational Procedures, any notice (including a notice of recall) which is issued by the Lender before 12:00 noon on any Business Day shall be treated as having been served on that day. Any notice (including a notice of recall) which is issued by the Lender at any other time shall be treated as having been served on the next succeeding Business Day following the day of such issue.

14. **Amendment**

HKSCC may amend these Regulations from time to time by notice given in accordance with the Operational Procedures. Such amendment will become effective on the date specified in the notice.

15. **Assignment**

No Participant may charge, assign or transfer all or any of its rights or obligations under these Regulations without the prior written consent of HKSCC.

16. **Governing Law**

These Regulations shall be governed by, and construed in accordance with, the laws of Hong Kong SAR of the People's Republic of China ("Hong Kong") and each Lender shall submit to the jurisdiction of the courts of Hong Kong.

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