

**Rules of the Exchange**

**CHAPTER 3**

**EXCHANGE PARTICIPANTSHIP**

**CCASS Participation**

358. (1) Every Exchange Participant which carries on the business of dealing in securities shall be required to:
- (a) become a CCASS Clearing Participant if it intends to clear its own Exchange Trades and shall comply at all times with the HKSCC Rules; or
  - (b) have a valid, binding and effective CCASS Clearing Agreement with ~~at least one~~ at least one CCASS GCP if it ~~does not intend~~ does not intend to clear its own Exchange Trades ~~through a CCASS GCP~~.
- (2) Unless or until such time as an Exchange Participant is or becomes a CCASS Clearing Participant or has a valid, binding and effective CCASS Clearing Agreement with a CCASS GCP for the clearing of its Exchange Trades, it shall not be allowed to trade on the Exchange.
- (3) Every Exchange Participant shall cause all Exchange Trades to be settled through CCASS in accordance with the HKSCC Rules.
- (4) Every Exchange Participant who has entered into a CCASS Clearing Agreement with a CCASS GCP shall give prior notice to the Exchange in writing of the termination of the CCASS Clearing Agreement before it is actually terminated, unless the CCASS GCP has already given notice to terminate the CCASS Clearing Agreement to HKSCC in accordance with the HKSCC Rules.
- (5) An Exchange Participant which is a Broker Participant immediately prior to 3 December 2007 shall be deemed to be a CCASS DCP from 3 December 2007 in accordance with the HKSCC Rules. These Rules, all rights, privileges, registrations, approvals, obligations and liabilities accrued to or incurred by the Exchange Participant prior to 3 December 2007 shall continue to be valid and binding on it whatever the capacity in which those rights, privileges, registrations, approvals, obligations and liabilities have been accrued or incurred.
- (6) Where an Exchange Participant has entered into CCASS Clearing Agreements with more than one CCASS GCP, it must (a) ensure that each Exchange Trade executed by the Exchange Participant is designated to the relevant CCASS GCP

by including its designated broker number or such other identifier as prescribed by the Exchange from time to time and (b) have arrangements in place to notify the relevant CCASS GCPs of such designation.

The Exchange may impose a limit on the number of CCASS Clearing Agreements into which an Exchange Participant may enter. An Exchange Participant which has appointed only one CCASS GCP to clear its Exchange Trades is deemed to have all Exchange Trades executed by itself designated to the CCASS GCP for clearing.

## **CHAPTER 5**

### **TRADING**

#### **Criteria for Registration as TSF Exchange Participants**

- 563H. (1) Only the following Exchange Participants shall be eligible to apply for registration and to remain registered as TSF Exchange Participants:
- (a) Exchange Participants that are themselves CCASS DCPs or CCASS GCPs; and
  - (b) Exchange Participants that are not CCASS DCPs but have entered into CCASS Clearing Agreements with CCASS GCPs that have been accepted for registration by HKSCC and ~~to~~which remain registered as TSF Clearing Participants.
- (2) In the case of an Exchange Participant that is itself a CCASS DCP, to be accepted for registration and to remain registered as a TSF Exchange Participant, it must:
- (a) meet the TSF Participant Registration Criteria;
  - (b) be approved as a TSF Exchange Participant and such approval must not have been withdrawn by the Exchange; and
  - (c) be approved as a TSF Clearing Participant and such approval must not have been withdrawn by HKSCC.
- (3) In the case of an Exchange Participant that is not a CCASS DCP, to be accepted for registration and to remain registered as a TSF Exchange Participant, it must:
- (a) meet the TSF Participant Registration Criteria;
  - (b) be approved as a TSF Exchange Participant and such approval must not have been withdrawn by the Exchange; and

- (c) have entered into a CCASS Clearing Agreement with ~~at least one~~ CCASS GCP which has been accepted for registration by HKSCC and ~~to which~~ remains registered as a TSF Clearing Participant.
- (4) An Exchange Participant wishing to apply for registration as a TSF Exchange Participant must apply to the Exchange in writing in such form as the Exchange may from time to time prescribe. The Exchange's decision in respect of an application shall be final and conclusive. Where an application is rejected, the Exchange is not obliged to give any reasons for its decision.

### **Substitution Process**

- 563P. Where one of the parties to a TSF Exchange Trade is a TSF Exchange Participant which is not a CCASS Clearing Participant, the CCASS GCP of that TSF Exchange Participant designated for clearing ~~such~~ TSF Exchange Trades of ~~such that~~ TSF Exchange Participant shall become a party to the TSF Exchange Trade and the corresponding TSF FX Transaction as principal in substitution for, and with exactly the same rights and obligations under the 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 System.

## **CHAPTER 14**

### **CHINA CONNECT SERVICE**

#### **China Connect Exchange Participants and Eligibility Criteria for Registration**

1406. (1) Exchange Participants (whether or not they are CCASS Clearing Participants) shall be eligible to apply for registration and to remain registered as China Connect Exchange Participants provided that:
- (a) they are CCASS Clearing Participants which are and remain registered by HKSCC as China Connect CCASS Clearing Participants for the clearing of their China Connect Securities Trades; or
  - (b) they are not registered by HKSCC as China Connect CCASS Clearing Participants but have entered into a valid, binding and effective CCASS Clearing Agreement with a CCASS GCP which is and remains registered by HKSCC as a China Connect CCASS Clearing Participant for the clearing of its China Connect Securities Trades.

- (2) An Exchange Participant that is a CCASS Clearing Participant shall itself clear, or appoint a CCASS GCP which is registered as a China Connect Clearing Participant to clear, its China Connect Securities Trades. To be accepted for registration and to remain registered as a China Connect Exchange Participant, it must:
  - (a) meet the relevant China Connect Exchange Participant Registration Criteria;
  - (b) be approved as a China Connect Exchange Participant and such approval must not have been withdrawn by the Exchange; and
  - (c) be approved as a China Connect CCASS Clearing Participant and such approval must not have been withdrawn by HKSCC or has entered into a valid, binding and effective CCASS Clearing Agreement with a CCASS GCP which is registered and which remains registered by HKSCC as a China Connect CCASS Clearing Participant for the clearing of its China Connect Securities Trades.
- (3) In the case of an Exchange Participant that is not a CCASS Clearing Participant, to be accepted for registration and to remain registered as a China Connect Exchange Participant, it must:
  - (a) meet the relevant China Connect Exchange Participant Registration Criteria;
  - (b) be approved as a China Connect Exchange Participant and such approval must not have been withdrawn by the Exchange; and
  - (c) have entered into a valid, binding and effective CCASS Clearing Agreement with a CCASS GCP which is registered and which remains registered by HKSCC as a China Connect CCASS Clearing Participant for the clearing of its China Connect Securities Trades and if such CCASS GCP does not also clear its Exchange Trades, it must also have entered into a valid, binding and effective CCASS Clearing Agreement with ~~another~~ at least one CCASS GCP for the clearing of its Exchange Trades.
- (4) Applications under Rule 1406(1) must be made in writing in such form as the Exchange may from time to time prescribe. Exchange Participants may be required to make separate applications with respect to the trading of China Connect Securities in different China Connect Markets.
- (5) The Exchange's decision in respect of an application shall be final and conclusive, and approval may be given subject to such terms and conditions (including such system testing requirements, market readiness rehearsals and market contingency rehearsals) as the Exchange may consider appropriate. Where an application is rejected, the Exchange is not obliged to give any reasons for its decision.

- (6) The Exchange may publish the China Connect Exchange Participant Registration Criteria and a list of the China Connect Exchange Participants registered from time to time on the HKEX website or by such other means as it considers appropriate.
- (7) Exchange Participants must sign an undertaking in the prescribed form with the relevant SEHK Subsidiary prior to their being accepted for registration as China Connect Exchange Participants for trading in a China Connect Market through the use of the China Connect Service. The Exchange may prescribe different forms of undertakings with respect to different China Connect Markets.
- (8) Every China Connect Exchange Participant which has entered into a CCASS Clearing Agreement with a CCASS GCP for the clearing of its China Connect Securities Trades shall give prior notice to the Exchange in writing of the termination of the CCASS Clearing Agreement before it is actually terminated, unless the CCASS GCP has already given notice to terminate the CCASS Clearing Agreement to HKSCC in accordance with the HKSCC Rules.