

HKD-RMB Dual Counter Model

Frequently Asked Questions on Issuer, Trading, Clearing and Settlement, and Risk Management Arrangements

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Note: This document will be updated from time to time to reflect the latest development and market participants are reminded to refer to the latest version for further details.

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Overall

1. What are Dual Counter Securities, Dual Counter Market Making (“DCMM”) programme and Dual Counter Model and how they are related?

Dual Counter Securities refer to securities with HKD and RMB counters (“HKD-RMB Dual Counters”) designated by the Exchange in accordance with the Rules of the Exchange and are eligible for DCMM programme. The list of Dual Counter Securities would be published by HKEX from time to time, and only securities (excluding Exchange Traded Products (“ETPs”)) listed in both HKD and RMB counters in the Hong Kong securities market would be considered for designation. The Exchange may designate or remove any security as a Dual Counter Security in the list and the Securities and Futures Commission (“SFC”) will be consulted for each such designation or removal.

The Dual Counter Model will further enhance the trading and settlement model for Dual Counter Securities, which would be designated and published by HKEX from time to time at and after the rollout of the Dual Counter Model. The new DCMM programme is a new market making programme to be introduced under the Rules of the Exchange to support inter-counter Dual Counter Securities trading, in order to provide liquidity in the secondary counters (initially RMB counters) and minimize price discrepancies between the two counters.

Furthermore, a new optional function under Central Clearing and Settlement System (“CCASS”) would be introduced to facilitate intra-day counter transfer for holdings in Stock Clearing Account (“A/C 01”) between the different counters of designated Multi-counter Eligible Securities (including Dual Counter Securities) for settlement (the “ICI Function”), which would streamline the settlement process of the Clearing Participants (“CPs”).

The overall trading, market making and settlement model (including ICI Function in respect of Dual Counter Securities) of HKD-RMB Dual Counters is referred to as the “Dual Counter Model”. The Dual Counter Model is expected to commence in the first half of 2023.

Issuer-Related Matters for Dual Counter Securities

2. Will a security automatically become a Dual Counter Security if it has two stock counters denominated in HKD and RMB for trading and settlement?

No. Only securities with both HKD and RMB counters and that are designated by the Exchange in accordance with the Rules of the Exchange at and after the rollout of the Dual Counter Model are considered as Dual Counter Securities. The list of designated Dual Counter Securities is available on HKEX website.

3. What would be the benefit for an issuer to list both HKD and RMB counters and then be designated as a Dual Counter Security?

An issuer with a dual counter arrangement including a RMB counter under the Dual Counter Model can offer investors choices of trading currency and potentially tap into new RMB liquidity. Further, a Dual Counter Security designated by HKEX may have market makers which would provide liquidity in the secondary counter (initially RMB counter) and narrow the price discrepancies between its HKD-RMB Dual Counters.

4. What would be the application process or requirements, processing time and cost required for a listed issuer to launch a RMB counter?

As the Dual Counter Model affects the trading arrangements, a listed issuer is advised to agree the proposed timetable and trading arrangements in the application for launching a RMB counter with the Listing Division of HKEX, make an application with Hong Kong Securities Clearing Company Limited (“HKSCC”) for the listed securities to be accepted as multi-counter eligible securities as defined under the General Rules of CCASS (“CCASS Rules”), and issue an announcement to inform the market of the trading arrangements usually made before the counter addition effective date.

Listed issuers are suggested to check with their legal advisers if any shareholder meeting or board approval would be required for launching a RMB counter.

There is no specific mandated timetable for the application of a RMB counter. However, besides the announcement on trading arrangement details usually made before the counter addition effective date, issuers are recommended to issue another voluntary announcement on their application of the addition of RMB counter through HKEXnews, after respective application submission. Please note that this voluntary announcement is about the addition of RMB counter with the intention to be a Dual Counter Securities only, while the designation of Dual Counter Securities is subject to the decision of HKEX. This voluntary announcement, however, serves the purpose to potentially facilitate the designation to include the HKD counter and the RMB counter of the security to the Dual Counter Model. This will also

facilitate Dual Counter Market Makers to apply for the market making permit. Issuers may consider reserving sufficient time for Dual Counter Market Makers to file applications before RMB counter addition effective date, for instance 2 to 4 weeks.

There would be no fee payable to HKEX to launch an additional RMB counter. Listed issuers are advised to check if any other fees or charges (such as fees required for new International Securities Identification Number (“ISIN”) registration, fees required for share registrar, etc. if applicable) would be required to launch a RMB counter.

5. Are holders of securities under the RMB counter and the HKD counter under the Dual Counter Model treated differently from a legal perspective?

The Rules of the Exchange require that a Dual Counter Security may be traded in two different currencies provided that the securities concerned are of the same class. Holders of Dual Counter Securities shall be entitled to identical rights under the issuer’s constitutional documents. The HKD-RMB Dual Counter arrangement is for trading and settlement purposes only. Please refer to Question 42 for physical certificate deposit details.

6. How is the market capitalization of a Dual Counter Security calculated?

HKEX calculates the market capitalization of a Dual Counter Security by multiplying the total number of issued securities with the closing price of the HKD counter. HKEX will continuously review this calculation method, taking into account the development of market practice for the Dual Counter Model, relative liquidity of the Dual Counter Securities and market feedback.

7. Will there be any change in the calculation of (i) the public float; (ii) the size limits on general mandate for issuance/repurchase of securities; or (iii) size limits on grants of share awards or options under share schemes under the Listing Rules, after a listed issuer adopts the Dual Counter Model? How will the benchmarked price be determined if the listed issuer proposes a general mandate placing? (applicable to equities)

There will not be a change in the calculation of the public float and size limits. They are calculated with reference to the total issued securities of the listed issuer. The benchmarked price will be calculated with reference to the closing price of the listed issuer’s securities traded under the HKD counter.

8. Can a listed issuer repurchase securities from RMB counter and/or HKD counter or both under a repurchase mandate? (applicable to equities)

It will be the issuer's option to decide.

9. Can a listed issuer remove one of the counters?

It will be the issuer's option to decide. The issuer is required to agree with HKEX on the proposed timetable and trading and settlement arrangements of the counter being removed, and issue an announcement to inform the market of the arrangements.

10. What are the criteria for designation or removal of designation as Dual Counter Securities and when will the eligibility be reviewed?

Major criteria for designation or removal of designation as a Dual Counter Security include market capitalization and trading liquidity, potential interest from Dual Counter Market Makers to provide liquidity in the secondary counter (initially RMB counter), market readiness to support trading and settlement of dual counters and any other considerations that HKEX may see fit. The list of designated Dual Counter Securities will be subject to review regularly or at an ad-hoc basis after the DCMM programme launch.

Trading

11. Can a Dual Counter Security be transferred between the two counters?

Securities under the two counters are of the same class, holdings of securities in the two counters can be transferred without change of beneficial ownership. Please refer to Question 35 for details of the transfer between the two counters.

12. How may a Dual Counter Security under the Dual Counter Model be identified? How can investors distinguish between the two counters of a Dual Counter Security? Are there any identification in their stock codes and stock short names?

The list of Dual Counter Securities would be designated and published by HKEX from time to time at and after the rollout of the Dual Counter Model.

An investor can distinguish between the two counters by their stock codes and their stock short names.

The general principle is that separate and unique stock codes are assigned to the HKD and RMB counters respectively. For an equity, the stock code for the RMB counter will be a 5-digit number starting with an “8”, while a 5-digit number starting with a “0” would be assigned for the HKD counter.

The last four digits of the stock codes for the two counters will normally be the same¹, in line with the existing allocation arrangement.

- HKD counter - 0XXXX
- RMB counter - 8XXXX

The stock short names for the two counters are also different. For the RMB counter, the stock short name will end with -R to indicate that the securities are traded in RMB. There will be no specific marking in the stock short name of the HKD counter.

The following is an illustrative example of the stock short names:

- HKD counter – “XYZ”
- RMB counter – “XYZ -R”

Depending on the different circumstances relating to the two counters, it is our understanding that an ISIN or two different ISINs may be issued for the two counters. In the event that only one ISIN is issued (i.e. the two counters share the same ISIN), Exchange

¹ In normal circumstances, the last four digits of the stock codes for the two counters of a Dual Counter Security will be identical. However, there are six stock codes, 86610, 86611, 86639, 86660, 86661 and 86663, which have been allocated for bonds of Ministry of the Finance of the People's Republic of China and as such, these codes will no longer be available for use by the relevant Dual Counter Securities.

Participants (“EPs”) and CPs may consider using the unique identifier, i.e. the stock code, to identify the two counters. After the proposed [enhancement of settlement arrangement for Multi-counter Eligible Securities](#), HKEX will adopt a single ISIN approach for Multi-counter Eligible Securities. CPs will be required to input the CCASS stock code or ISIN of the domain settlement counter in their instructions to CCASS after the implementation of the enhancement. Upon such implementation, if CPs input instructions into CCASS with CCASS stock code or ISIN of other currency counters, their instructions will be rejected by CCASS.

13. For stamp duty, exchange fees and levies for a trading transaction, what currency can be used for such payment?

For secondary market trading in the RMB counter, trading-related fees and levies (such as the SFC Transaction Levy, AFRC Transaction Levy, etc.) and stamp duty should be paid to the Exchange in HKD. Brokers may provide currency conversion services to collect corresponding RMB amounts of trading-related fees and levies from investors and convert the same into HKD for payment to the Exchange. Investors should consult their brokers on the trading-related fees and levies collection offering.

14. How do single-counter and inter-counter trading work?

Single-counter trading

Single-counter trading is equivalent to trading HKD-denominated securities or RMB-denominated securities and there are no additional requirements for brokers as compared to the current practice. As usual, for trading under the RMB counter, brokers should ensure their own readiness for trading and settlement of securities in the RMB counter.

Inter-counter trading and settlement

Inter-counter trading means buying in one counter and selling in another counter as two independent transactions, even though both transactions involve the same security. However, brokers and their clients should ensure that necessary actions are taken (e.g. interchanging securities from one counter to another) to prevent failed settlement.

Brokers should review and ensure that their front and back office systems, as well as operations are ready to support such client trading activities.

If a broker’s systems cannot handle automatic inter-counter trading and transfer, the broker should have a set of guidelines advising their clients on how inter-counter trading can be processed manually and communicate with its clients clearly on how these trading activities can be supported and if any additional charges will be imposed.

From a regulatory standpoint, subject to compliance with the market misconduct provisions under the Securities and Futures Ordinance and other related rules and regulations (e.g. short selling), investors may buy securities from one counter first and then sell the same quantity on the other counter on the same day. Investors should be reminded that:

- such inter-counter day trades may lead to settlement failure of the sale trades in CCASS on T+2 if the securities of the buy trades are only delivered at the last settlement run on T+2, leaving not enough time to transfer the securities to the other counter to settle the sale trades on the same day. Although HKSCC may grant the concerned CPs T+3 buy-in exemption under certain circumstances and with the provision of necessary documentary evidence, investors may still be subject to additional handling fees imposed by his/her broker, and may not have the sale trades available from his/her broker until T+3 or even later; and
- it is optional for EPs and CPs to provide inter-counter day trade services according to their operational capability, system limitations, settlement risks (as noted above) and any other business consideration.

Investors should consult his/her broker and understand the inter-counter day trade services, including the associated risks and fees, before engaging in any inter-counter day trades.

15. Do brokers need to enhance their systems or processes to support the Dual Counter Model?

The Dual Counter Model largely follows the existing trading arrangements for securities denominated in RMB (price validations, order types, trading sessions, etc.). For inter-counter transactions of the same securities, it involves two independent transactions with different stock codes and stock short names. EPs are advised to review their systems and operations to ensure smooth arrangement for inter-counter transactions and settlement.

16. Currently OTP-C performs different checks before an order can be accepted to the central order book (e.g. the order price cannot deviate for more than 9 times from the current nominal price). How will such checking be performed for RMB counter?

OTP-C applies checking at the order level against the parameters of the specific counter, irrespective of the counter's trading currency.

17. Would the buying/holding of one counter followed by the selling in the other counter be regarded as a long sale or a short sale?

As the securities in the two counters are of the same class and transferable, the sale would normally be regarded as a long sale.

18. Would the buying of securities in one counter followed by the selling in the other counter within the same trading day be permissible?

Yes, subject to compliance with the market misconduct provisions under the Securities and Futures Ordinance and other related rules and regulations. This would be permissible under the existing Rules of the Exchange. However, in order to meet the settlement obligation, brokers should alert their clients the time and fees (if any) required to transfer securities from one counter to the other. EPs should also require and facilitate their clients to do the transfer for timely settlement of transactions on T+2.

19. For Designated Securities eligible for short selling, would borrowing of securities in one counter followed by selling in the other counter be regarded as a covered short sale?

Yes, as the securities in the two counters are of the same class and transferable, the sale would normally be regarded as a covered short sale and thus subject to the relevant short selling regulations as stipulated in the Eleventh Schedule of the Rules of the Exchange and the Securities and Futures Ordinance.

20. If the HKD counter is already a Designated Security eligible for short selling, will the RMB counter become a Designated Security too?

The list of Designated Securities eligible for short selling is published on the [HKEX website](#).

In principle, if the HKD counter (or the RMB counter) is already a Designated Security eligible for short selling, HKEX will designate the RMB counter (or the HKD counter) as a Designated Security eligible for short selling after consulting the SFC.

21. Where is the first sell order in the RMB counter coming from in the secondary market? Is the price in the RMB counter based on supply and demand or pegged to share price of the HKD counter? Any price difference between the HKD-RMB Dual Counters?

As securities are transferable between the HKD-RMB Dual Counters, the first sell order in the RMB counter would be securities that will be converted from the respective HKD counter. There will be no price pegging between the two counters and the price of the RMB counter will be decided by supply and demand. There may be a price difference, adjusted by exchange rate, between the HKD-RMB Dual Counters and a DCMM programme will be in place to minimize the price difference and provide liquidity in the RMB counter.

22. How is the Volatility Control Mechanism (“VCM”) determined for a Dual Counter Security?

If a Dual Counter Security is a VCM security based on the existing eligibility criteria, all of the counters would be subject to the same VCM triggering threshold. However, when VCM is triggered in one counter, it would not automatically trigger the VCM in the other counter.

23. What are the Pre-Opening Session (POS) arrangements for RMB counters?

Upon the launch of the Dual Counter Model and on the first trading day of an RMB counter, the previous closing price of its relevant HKD counter after an exchange rate adjustment will be used for determining the $\pm 15\%$ price limit of the RMB counter during the POS. After the first day of RMB counter trading, the previous closing price in the RMB counter will be used for the calculation of price limit in the POS for the RMB counter.

Dual Counter Market Maker (“DCMM”)

24. Who can apply for a DCMM Permit to make a market in a Dual Counter Security?

Exchange Participants of The Stock Exchange of Hong Kong Limited (“the Exchange”) that fulfil the criteria prescribed by the Exchange from time to time may apply for a DCMM Permit in a Dual Counter Security. The criteria include financial standing, trading record, personnel, computer equipment, internal security procedures, risk management policy and procedures, and any other criteria considered appropriate by the Exchange. An applicant should also provide the documents required for [application for a DCMM Permit](#) as detailed in the [Explanatory Notes for Application for Acquisition / Surrender of Dual Counter Market Maker Permit\(s\)](#) (“EN22”).

25. What are the market making obligations of being a DCMM?

A DCMM shall comply with the required market making obligations at the secondary counter of a Dual Counter Security only, as stipulated in the Rules of the Exchange including but not limited to entering two-side quotes within the applicable market maker obligations based on groupings by stocks and fulfilling the minimum participation rate requirement. In the initial stage of the DCMM Programme, the Exchange has designated the RMB counters of the Dual Counter Securities as the secondary counters in order to enhance liquidity in the RMB counters, while the HKD counters have been designated as the primary counters.

26. Which types of transactions may qualify for stamp duty exemption under the DCMM Programme?

Please refer to Section 3.2 of EN 22 for details of Eligible DCMM Transactions (as defined in EN 22) which are qualified for stamp duty exemption. In short, for a sale or purchase of a Dual Counter Security to be qualified for stamp duty exemption, it must be made by an Exchange Participant in its capacity as a DCMM and must be a Market Making Transaction, Hedging Transaction or Arbitrage Transaction (such transactions are specifically defined in EN 22) made through the Exchange’s OTP-C system under the designated broker number(s) of the DCMM. In addition to meeting the criteria for eligible type of transactions, DCMMs shall also observe with other requirements specified in the EN 22 for the stamp duty exemption.

27. What are the DCMM obligations in respect of a Dual Counter Security if it undergoes rights issue or issue of equity warrants?

For rights issue of a Dual Counter Security, both HKD counter and RMB counter will be set up for the trading and settlement of nil paid rights (“NPR”) created as a result of a rights issue of

a Dual Counter Security. For the avoidance of doubt, market making obligations of a DCMM holding the relevant DCMM permit in such Dual Counter Security are not applied to the NPR in RMB counter.

For equity warrants of a Dual Counter Security, both HKD counter and RMB counter will be set up for the equity warrants of a Dual Counter Security. For the avoidance of doubt, market making obligations of a DCMM holding the relevant DCMM permit in such Dual Counter Security are not applied to the equity warrants in RMB counter.

28. Is a DCMM required to use a designated broker number(s) for conducting its market making and liquidity providing activities in the Dual Counter Securities for which it holds a current DCMM Permit?

Yes, a DCMM is required to conduct its market making and liquidity providing activities under a new Market Making Orion Central Gateway – Securities Market (MMOCG-C) Session(s), an existing MMOCG-C Session(s) for Securities Market Maker and/or an Orion Central Gateway – Securities Market (OCG-C) session(s). No matter a new or an existing session is used, the DCMM shall use a designated broker number(s) assigned by the Exchange for its order placing in the Dual Counter Security for which it holds a valid DCMM permit.

29. What are the testing requirements for becoming a DCMM?

Exchange Participants who have interest in becoming a DCMM are required to conduct end-to-end (E2E) test. If Exchange Participants are going to use a new Broker Supplied System (“BSS”) and apply for new MMOCG-C session, in addition to E2E test, they are required to conduct offline simulator test and rollout test. If Exchange Participants are going to use OCG-C session, Exchange Participants should ensure that such BSS connecting to OCG-C session has been certified on DCMM functions. For details of testing requirements, they can refer to [Testing Services](#) web corner and the explanatory notes in relation to trading device at [HKEX website](#).

30. What are the market making-related arrangements of a Dual Counter Security if it is subject to parallel trading?

Unless otherwise specified by the Exchange, participants should refer to this FAQ and the [circular](#) dated 28 March 2024 for the market making-related arrangements of Dual Counter Securities around the parallel trading period.

During the parallel trading period, a Dual Counter Security will be traded under both a temporary trading counter and an original trading counter for each of its HKD counter and RMB counter respectively. During this period, the market making obligations of Dual Counter

Market Makers (“DCMMs”) will be applicable to the original RMB counter only². The order input by DCMMs at the temporary HKD counter and temporary RMB counter will not be recognized as valid DCMM orders by the Exchange during the parallel trading period. As such, no DCMM Short Selling³ will be allowed at the temporary HKD and temporary RMB counters and any transaction concluded at such temporary counters shall not be qualified as Eligible DCMM Transactions (in accordance with the [Explanatory Notes for Application for Acquisition / Surrender of Dual Counter Market Maker Permit\(s\)](#) (“EN22”) and the [Operation Procedures for Stamp Duty Collection](#)).

Before the commencement and after the end of the parallel trading period, a Dual Counter Security will have only one RMB counter opened for trading, either the temporary counter (during pre- commencement) or the original counter (after the end of parallel trading period). The market making obligations are hence applicable to that one RMB counter.

The relevant market making-related arrangements for DCMMs before, during, and after the parallel trading period are summarised as follows:

	Counter	DCMM market making obligations applicable? (Y = Yes/ No = N)	Input of DCMM order (market making order, hedging order or arbitrage order) allowed? (Y = Yes/ N = No)	DCMM Short Selling allowed? (Y = Yes/ N=No)	Types of Eligible DCMM Transactions under 3.2.1 of EN22
Stage 1 – pre-commencement of parallel trading period (not applicable to cases of change in board lot size)	Temporary HKD	N	Y except market making order	Y	Hedging Transaction and Arbitrage Transaction
	Temporary RMB	Y	Y ⁴	Y	Market Making Transaction and Arbitrage Transaction

² On the basis that the RMB counter has been designated as the secondary counter and the HKD counter is designated as the primary counter respectively.

³ As defined under the Rules of the Exchange.

⁴ Please refer to Note 2

<u>Original counters closed and temporary counters opened</u>					
<u>Stage 2 – parallel trading period</u>	Temporary HKD	N	N	N	Nil
<u>Original counters reopened, temporary counters opened</u>	Temporary RMB	N	N	N	Nil
	Original HKD	N	Y except market making order	Y	Hedging Transaction and Arbitrage Transaction
	Original RMB	Y	Y ⁵	Y	Market Making Transaction and Arbitrage Transaction
<u>Stage 3 – after the end of parallel trading period</u>	Original HKD	N	Y except market making order	Y	Hedging Transaction and Arbitrage Transaction
<u>Temporary counters closed, original counters opened</u>	Original RMB	Y	Y ⁶	Y	Market Making Transaction and Arbitrage Transaction

⁵ Please refer to Note 2

⁶ Please refer to Note 2

Clearing and Settlement

31. How does the clearing and settlement of the HKD-RMB Dual Counters work? Are there any differences to the existing settlement mechanism?

Exchange trades executed under the two counters will be cleared and settled in CCASS as if they are two individual and independent stocks. After netting under the CNS System, one CNS stock position will be netted for each counter, i.e. RMB counter and/or HKD counter. CPs should settle their CNS stock position on the basis of T+2 per counter basis, which is in line with the existing settlement mechanism.

32. How are “inter-counter” day trades settled?

As always, CPs should ensure that they have sufficient securities available to fulfill their CNS short positions on T+2. For "inter-counter" day trades, if a CP relies on securities received from a long position in one counter to settle its short position in another counter on T+2, despite the cut-off time for MCTI is 5:15 p.m., CPs should submit a "Multi-counter Transfer Instruction" ("MCTI") to HKSCC through CCASS Terminals before 3:45 p.m., i.e. before final batch-settlement-run or opt for the new ICI Function (see Question 35 below). In case the securities received from the long position are subject to the on-hold mechanism, CPs should effect cash prepayment to release the CNS allocated securities before effecting the cross-counter transfer. All stock movement activities related to MCTI and ICI are recorded in a CCASS report "Enquire Stock Account Movement Report" which is available to CPs for reconciliation purpose. CPs can also obtain the result via CCASS online function "Enquire Stock Account Movement".

33. Will buy-in exemptions be granted for the settlement of "inter-counter" day trade?

Buy-in exemption will be considered for applications that satisfy the prescribed conditions under the applicable rules and regulations. Where a CP has an unsettled short position in one counter but would have sufficient securities and/or long position in the other counter pending effective cross counter transfer to settle the relevant short position on T+2, the CP can submit an application for exemption of buy-in under the CCASS Operational Procedures via Client Connect to HKSCC no later than 8:00 p.m. on T+2. In order to streamline the application procedures for buy-in exemption for the Dual Counter Model, the CP is only required to provide HKSCC with the information on the quantity of overdue short positions in the Dual Counter Securities and is not required to provide any supporting documents when they submit the application for buy-in exemption. The revised arrangement will be set out in "Client Connect User Manual for Application to HKSCC for Exemption of Buy-in" in due course.

34. How to effect an inter-counter transfer in CCASS?

In order to trigger the inter-counter transfer, CPs can make use of:

1. MCTI via online maintenance or batch upload; or
2. ICI via online maintenance or standing instruction.

35. How to effect an MCTI in CCASS? What is the timing to effect an MCTI?

CPs should submit their MCTI electronically via CCASS online maintenance. The new function time for Input and Cancel Inter-counter Transfer/Conversion Instruction functions will be extended to between 8:00 a.m. and 5:15 p.m. Monday to Friday (except holidays). The function time for Enquire Inter-counter Transfer/Conversion Instruction function will remain the same, i.e. 8:00 a.m. to 7:00 p.m. Monday to Friday (except holidays). All outstanding pending MCTI instructions will be cancelled after the batch transfer run at 5:20 p.m.

CPs can also submit MCTI via batch upload function. The new function time for MCTI batch file upload will be extended to between 8:00 a.m. and 4:30 p.m. Monday to Friday (except holidays). The file layout and the validation report arrangement will remain unchanged.

Besides, the existing instruction input deadline of 2:00 p.m. on the Business Day (as defined in the General Rules of CCASS) immediately preceding the book closure date for a Multi-counter Eligible Security (the issuer of which has announced its book closure date) will not be applicable to a Dual Counter Security. As such, CPs could input MCTI from 8:00 a.m. to 5:15 p.m. on each Business Day for a Dual Counter Security.

For more details, please refer to “CCASS Terminal User Guide – For Participants” which has been posted on the [Client Connect](#) under “CCASS Enhancements” under “What’s on”.

36. What is an ICI? How can it help the settlement for a Dual Counter Security?

ICI is a new type of instruction in CCASS to facilitate cross transfers between HKD counter and RMB counter of same stocks within A/C 01 for settlement purpose. This type of instruction is free of charge and covers all designated Multi-counter Eligible Securities (including Dual Counter Securities). The list of designated Multi-counter Eligible Securities will be available under Client Connect.

To opt for ICI services, CPs may submit one-off or standing ICI (“ICI Standing Instruction”) to HKSCC. HKSCC will compare the availability of Multi-counter Eligible Securities under the different stock codes in a CP’s A/C 01 at around 3 p.m. on each Settlement Day. To the extent there is a shortfall in one stock code to meet the CP’s delivering obligations for settlement and a surplus in another stock code, HKSCC will effect an automatic transfer of surplus Multi-counter Eligible Securities from the other stock 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.

CPs are reminded to review their internal controls for compliance with applicable client assets rules. In order to avoid misappropriation of client assets, CPs shall ensure that a client’s holdings in one counter will not be used to settle transactions conducted by another client as a result of the ICI Function.

37. How to effect an ICI in CCASS? What will be the timing to effect an ICI and how does it work?

To effect an ICI, CPs can either submit one-off ICI or ICI Standing Instructions to HKSCC.

For one-off ICI, CPs can select any Dual Counter Securities and any eligible Multi-counter Eligible Securities (collectively called “designated Multi-counter Eligible Securities”) with outstanding positions to trigger a one-off ICI on each Settlement Day. The one-off ICI should be input by 3:00 p.m. on each Settlement Day.

To set up an ICI Standing Instruction, CPs can choose to cover all designated Multi-counter Eligible Securities or only Dual Counter Securities and authorize the ICI Standing Instruction by 2:00 p.m. The authorized ICI Standing Instruction will be effected in the next ICI batch run at 3:00 p.m. on each Settlement Day going forward until the ICI Standing Instruction is revoked.

38. Can CPs reverse an ICI request or further transfer quantities between HKD counter and RMB counter?

CPs can make use of MCTI to reverse or adjust the quantities between the two counters before 3:45 p.m, i.e. before the final batch-settlement-run or else all pending ICI will be purged by HKSCC at 3:45 p.m.

39. What are the differences between MCTI and ICI?

	MCTI	ICI
Scope of eligible securities	All Multi-counter Eligible Securities, applicable for all currencies including HKD/RMB/USD	Designated Multi-counter Eligible Securities from time to time and applicable for HKD counter and RMB counter only
Eligible users	All CPs	Direct Clearing Participants, General Clearing Participants and Clearing Agency Participants
Maintenance window	Batch upload: 8:00 a.m. – 4:30 p.m.	Standing Instruction: 8:00 a.m. – 2:00 p.m.

	Online input: 8:00 a.m. – 5:15 p.m.	Online input: 2:00 p.m. – 3:00 p.m.
Features	<ul style="list-style-type: none"> • CPs need to specify the transfer quantity in their transfer instructions • Can be used for holdings in all of the CP’s stock accounts (except Stock Collateral Control Account and SSA with Statement Service) • No limitation on the number of MCTI inputs for each pair of securities of the same issuer 	<ul style="list-style-type: none"> • CPs are not required to input the transfer quantity. Instead, HKSCC will determine the transfer quantity during ICI batch run at around 3:00 p.m. on each Settlement Day • Only holdings in A/C 01 can be transferred • Only one ICI will be generated for each pair of securities of the same issuer
Timing	Can be done on any CCASS day	Can only be done on Settlement Day
Fee	The existing HK\$5 transfer fee will be abolished upon the launch of the Dual Counter Model	Free

More information on ICI and revised CCASS Terminal User Guides is available in Client Connect.

40. HKEX also has a [Dual Tranche and Dual Counter \(DTDC\) model](#). What are the differences between the existing DTDC model and the Dual Counter Model from a clearing and settlement perspective?

There is not much difference between DTDC and the Dual Counter Model except that normal deposit and withdrawal services will not be available for the RMB counter under the Dual Counter Model. Market participants should note that the trading arrangements under the DTDC model and the Dual Counter Model are different, please refer to the [FAQ](#) of DTDC model for details.

41. Will dividends be paid in HKD or RMB?

Neither the Exchange nor HKSCC imposes any mandatory requirement on an issuer’s dividend policy. An issuer may decide to pay dividends in HKD or RMB.

42. Will bonus or scrip shares be issued in the form of RMB counter securities or HKD counter securities? (applicable to equities)

All CPs will receive securities in the RMB counter or HKD counter based on the shareholding under the respective RMB or HKD counters as of the relevant shareholding record date in CCASS.

43. Can physical certificates of one counter be deposited into CCASS to be booked under its opposite counter?

Under the Dual Counter Model, as the RMB counter is offered for secondary market trading and settlement purposes only, no physical certificate deposit or withdrawal service will be provided for the RMB counter and physical deposit and withdrawal of securities will not be allowed under the CCASS Rules. In order to book the holdings into the RMB counter, CPs will need to deposit the share certificates into CCASS, and then effect a MCTI to transfer the holdings from the HKD counter to the RMB counter. Likewise, for withdrawal in the RMB counter, a CP will need to effect a MCTI to transfer the holdings from the RMB counter to the HKD counter, and then submit a withdrawal order in accordance with the CCASS Rules.

Investors should refer to the issuer's prospectus or listing documents for more information.

Risk Management

44. How will Marks and margin be calculated for Dual Counter Securities?

Marks and margin for the positions in HKD-RMB Dual Counters will be calculated, together with other applicable positions, on a portfolio basis according to the margin model in HKSCC, i.e. Marks and margin offset is allowed between the HKD-RMB Dual Counters. All Marks and margin obligations will be calculated in HKD and CPs could opt to settle their Marks and margin by HKD, RMB or USD as usual.

The same risk management arrangements for existing HKD counter stocks will be applied to the respective RMB counter stocks. Please also note that the two counters of the same Dual Counter Security will be margined in the same tier (Tier P or N) for the Initial Margin calculation. For details, please refer to the [Initial Margin Calculation Guide](#).

45. After an MCTI or an ICI is effected in CCASS, will the relevant securities be subject to any on-hold / earmark mechanism?

No, securities accepted for inter-counter transfers are not subject to any on-hold / earmark mechanism anymore provided that CPs have already effected cash prepayment to release such securities for inter-counter transfers.

46. Can CPs conduct margin and/or stress test simulation for RMB counter securities?

Yes, CPs can conduct margin and/or stress test simulation for RMB counter securities. For more details, please refer to [Margin and Stress Test Simulation](#).

47. Can CPs use its holdings in one Stock Collateral Control Account to cover the position in another counter?

No, the specific stock collateral should be from the same counter as the original CNS position. CPs should effect an MCTI to transfer the shareholdings from one counter to the other counter as necessary.