

## Frequently asked questions

### A) Overview

#### A1. What is Third Party Clearing (TPC) and what are the key improvements to the Cash market when TPC is implemented?

The TPC model enables easier access to the cash market through segregation of trading and clearing participantships. An Exchange Participant who trades on the Stock Exchange of Hong Kong (SEHK) has the added option<sup>1</sup> to choose not to become a clearing participant in CCASS and outsource its clearing functions to a General Clearing Participant who provides clearing services to Exchange Participants. Under TPC, an Exchange Participant without a clearing participantship in CCASS is referenced as a Non-Clearing Participant (NCP)<sup>2</sup>.

#### A2. When was TPC launched in the Cash Market? And what are the model features?

The launch date of TPC was 3<sup>rd</sup> December 2007 and a high level description of the key features of the TPC model can be found in the Explanatory Document located at HKEX web:

[http://www.hkex.com.hk/eng/market/clr/secclr/clrarng\\_hksc/tpc/Documents/TPC\\_EN.pdf](http://www.hkex.com.hk/eng/market/clr/secclr/clrarng_hksc/tpc/Documents/TPC_EN.pdf).

#### A3. Does TPC have any impact on the existing CCASS Participantship structure?

Broker Participants of CCASS are automatically renamed as Direct Clearing Participant (DCP)<sup>3</sup>. DCPs are responsible for clearing and settling its own trades, and enjoy the same rights and subject to the same obligations with CCASS as if they were Broker Participants. Besides DCP, there is another type of clearing participantship, namely General Clearing Participant (GCP). GCPs are able to clear and settle their own trades, as well as the trades of those Exchange Participants who have elected not to become a CCASS Participant i.e. NCP.

### B) Settlement Agent

#### B1. Is Settlement Agent (SA) still an option to Exchange Participants after the launch of TPC?

SA (launched since 2004 and details can be found in: [http://www.hkex.com.hk/eng/market/clr/secclr/clrarng\\_hksc/sa/sa.htm](http://www.hkex.com.hk/eng/market/clr/secclr/clrarng_hksc/sa/sa.htm)) co-exists with TPC. An Exchange Participant may choose to become a DCP and clear and settle its own trades, engage a SA to operate its CCASS account or appoint a GCP to clear and settle trades on its behalf.

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<sup>1</sup> At present, an Exchange Participant, although being a CCASS Participant, can choose to outsource its clearing and settlement operations to a Settlement Agent.

<sup>2</sup> NCP itself is not a participant type either in SEHK or HKSCC. It is a generic term for ease of classification and reference only.

<sup>3</sup> GCP and DCP are collectively referred to as CCASS Clearing Participants.

**B2. Can an Exchange Participant who has appointed a SA become an NCP?**

Yes, an Exchange Participant can choose to become an NCP even if it has already appointed a SA. As an NCP is no longer a CCASS Participant, the SA appointment needs to be terminated as well. The Exchange Participant needs to terminate its CCASS Participantship, cancels the appointment of its SA and notifies SEHK of its appointment of a GCP. HKSCC then terminates the Exchange Participant's CCASS Participantship, cancels its CCASS account and establishes clearing relationship between the Exchange Participant and its newly appointed GCP according to the specified effective date.

**B3. What are the key differences between the SA model and the TPC model?**

A table summarizing the key features of the SA and TPC models is shown below:

Descriptions	SA	TPC
1. Key concept	Allow Exchange Participant to outsource its CCASS operations (administrative functions only) to a Settlement Agent.	Allow Exchange Participant to outsource its CCASS clearing and settlement obligations to a designated GCP.
2. Role of the service provider	SA is a CCASS account operator who conducts settlement and other activities in CCASS on behalf of the Participant.	GCP takes up the Exchange Trades executed by its NCPs and conduct clearing and settlement with HKSCC as principal in GCP's own CCASS account.
3. Status of the service provider	SA does not need to be a CCASS Participant itself. However, it needs to demonstrate that it has adequate clearing experience and capability.	GCP is a CCASS Clearing Participant who needs to be formally admitted by HKSCC before clearing trades for other Exchange Participants.
4. Participantship	Exchange Participant must be a DCP. SA is not itself a type of CCASS Participant.	Exchange Participant does not need to be a Clearing Participant i.e. as NCP. GCP does not need to become an Exchange Participant.

**C) Outsourcing Clearing Operations to a Clearing Service Provider****C1. Does an Exchange Participant need to clear and settle any of its trades in CCASS once a GCP is appointed?**

No, all Exchange Trades<sup>4</sup> must be cleared and settled by its GCP. For those trades executed on the SEHK involving securities that are not CCASS Eligible Securities,

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<sup>4</sup> Exchange Trade is defined in the Rules of the Exchange as a trade in a CCASS Eligible Security between two Exchange Participants effected on or reported to the Exchange.

Exchange Participant can arrange to settle by itself or through its GCP in accordance with the Rules of the Exchange. This should preferably be specified in the Clearing Agreement.

**C2. What factors should an Exchange Participant consider when appointing a GCP?**

Before appointing a GCP, an Exchange Participant should understand the various implications arising from outsourcing its CCASS clearing and settlement obligations to a third party. The key implications, including control and monitoring of its outsourced responsibilities, operational and systemic risks and the associated insurance coverage, as well as the standard, scope and service level offered, should be considered and properly addressed beforehand. Exchange Participant can refer to the "Principles on Outsourcing of Financial Services for Market Intermediaries" issued by the International Organization of Securities Commissions "IOSCO" which can be downloaded from IOSCO's website at [www.iosco.org](http://www.iosco.org) (link: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD187.pdf> ).

**C3. Can an Exchange Participant appoint more than one GCP?**

No, an Exchange Participant can only appoint one GCP to take-up all its clearing and settlement obligations in CCASS at any one time.

**C4. Does HKSCC have any requirements on the client arrangement between NCP and its clients, or where applicable between GCP and NCP's clients?**

HKSCC has no specific requirement on the client arrangement between various parties under TPC. In general, two TPC models are widely adopted in the overseas markets namely: Omnibus Model and Fully Disclosed Model.

Under the Omnibus Model, clients of the NCP may open accounts with the NCP only. The NCP in turn maintains an "omnibus" account with its GCP and retains full responsibility in relation to client services including the handling of client settlement and other nominees services. The NCP's clients only have contractual relationship with the NCP, not the GCP.

Under the Fully Disclosed Model, the NCP discloses relevant client information to the GCP who maintains an account for each of the NCP's client and serves them directly. The GCP carries these individual client accounts in its own books. In this case, NCP's client may also need to have direct contractual relationship with the GCP.

NCP and GCP should determine the most appropriate model (or mix of the models) based on their business requirements and ensure NCP's clients are well informed of their arrangement with appropriate client agreement in place with NCP and/or GCP.

**C5. Are NCPs subject to any CCASS fees?**

NCPs are not CCASS Participants and therefore are not subject to any CCASS fees directly.

## **D) Managing NCP's Trades and Related Stamp Duty**

### **D1. Under TPC, who is responsible for reporting error trade and handling trade amendment?**

NCP is still responsible for reporting error trade and handling trade amendment according to the existing procedures specified by SEHK. Trade amendments or error trades are posted to the account of its GCP in CCASS. NCP should agree with its GCP on the communication arrangement in respect of error trades and trade amendments although GCP can also obtain such information via CCASS.

### **D2. Since Exchange Trades executed by a NCP are cleared in the name of its GCP under the TPC arrangement, is this regarded as a change of beneficiary ownership for stamp duty purpose?**

No, this does not constitute a change of ownership; no additional stamp duty is therefore payable as a result of TPC activities.

### **D3. Under TPC, who is liable to pay stamp duty on Exchange Trades?**

The NCP being an Exchange Participant is liable for stamp duty derived from Exchange Trades and is still required to pay the deposit of stamp duty as stipulated in Chapter 13 of the Rules of the Exchange. Nevertheless it can outsource its stamp duty related functions to its GCP (such as producing contract notes, collection of stamp duty from NCP's clients and payment of stamp duty to SEHK) on commercial basis. In such case, the NCP must ensure that the GCP is in full compliance with the Operation Procedures for Collection of Stamp Duty as specified in the Participant Circular EBU/TMOC/RPS/056/03 of SEHK.

### **D4. If NCP outsource the stamp duty related functions to GCP, who is liable for late payment or non payment?**

The NCP is still primarily liable as a result of GCP's late payment or non payment. SEHK imposes penalty or surcharge to NCP due to GCP late payment or non payment in accordance with the Operation Procedures for Collection of Stamp Duty.

### **D5. Is GCP liable as a result of NCP's late payment or non payment of stamp duty?**

A NCP is primarily liable to stamp duty derived from its Exchange Trades. However, according to Inland Revenue Department (IRD), if a NCP outsource its clearing and settlement obligations to a GCP, the GCP is also regarded as "a person involved in effecting any sale or purchase" of Hong Kong stock and hence is liable for stamp duty in respect of its NCP's Exchange Trades should the NCP defaults on its stamp duty payments. In the remote situation where the NCP fails to fulfill its stamp duty obligation and such obligation exceed the deposit previously made by the NCP to SEHK in accordance with the Operation Procedures for Collection of Stamp Duty, IRD reserves the right to request the GCP to fulfill the stamp duty liability of the NCP in relation to its Exchange Trades.

## **E) Clearing & Settlement**

### **E1. Does a NCP need to comply with the General Rules of CCASS and the CCASS Operational Procedures?**

No, a NCP is not a CCASS Participant and does not have direct relationship with HKSCC. However, a NCP, being a Licensed Corporation under the Securities and Futures Ordinance (Chapter 571) and an Exchange Participant of SEHK is regulated under the SFO and the Rules of the Exchange.

### **E2. What is HKSCC's involvement in the TPC arrangement between NCP and GCP?**

The clearing services provided by GCP are basically determined between GCP and NCP based on commercial terms. While GCP and NCP are required by HKSCC to enter into a valid, binding and effective Clearing Agreement, HKSCC is not a party to it. Under the CCASS Rules, GCP is obligated to ensure that the Clearing Agreement must facilitate the performance of, and be consistent with the GCP's obligations under the CCASS Rules and Operational Procedures.

### **E3. Is NCP able to determine whether its trades executed on the SEHK should be settled under the Continuous Netting System (CNS) or Isolated trade (IT) system like an Exchange Participant today?**

Yes, although the clearing and settlement obligation is taken up by its GCP, an NCP continues to specify the settlement method of each buy/sell order (i.e. whether under CNS or IT system) when entering the order into AMS/3. Therefore, NCP should agree with GCP on how settlement method of executed trades should be communicated. In any case, CCASS provides GCP with trade information of its NCP regularly during the day (please see J1. for details of intra-day trade report).

### **E4. Can a NCP use the Segregated Stock Account with Statement (SSA) service provided by HKSCC?**

Not directly. Through its GCP, NCP can make use of the SSA service provided by HKSCC to receive independent information on securities holdings in CCASS for each SSA holders. A NCP can request its GCP to set-up SSA in the GCP's CCASS account specifically for the use of the NCP and/or its clients. For detailed information, please refer to

[http://www.hkex.com.hk/eng/prod/clr/sec\\_clrsett/segacct/segacct\\_page.htm](http://www.hkex.com.hk/eng/prod/clr/sec_clrsett/segacct/segacct_page.htm).

## **F) Depository & Nominee Services**

### **F1. Does GCP handle the CCASS depository and nominee services on behalf of the NCP?**

Yes, GCP, as a CCASS Clearing Participant processes certificate deposit and withdrawal transactions on behalf of its NCP clients. Furthermore, representatives of NCPs can be authorized by the GCP to deposit and collect share certificates directly from CCASS Depository.

Likewise, GCPs provides nominee services to their NCPs (including clients of the NCPs depending on the client arrangement between GCP, NCP and its clients).

## **F2. Can a NCP continue to provide IPO services to its clients?**

Yes, NCP can continue to provide IPO services to its clients using CCASS EIPO and yellow application forms.

When using CCASS EIPO, NCP may provide the application details of its clients to its GCP, who then submits all those EIPO applications via the CCASS terminal. NCP may also request GCP to input its broker number in the relevant EIPO applications for the NCP to receive IPO brokerage commission. Further, NCP should also agree with GCP on the arrangement for depositing the relevant application monies into GCP's CCASS designated bank account. On the allotment results announcement date, GCP will, based on the EIPO allotment information as contained in the New Issue Entitlement Report, notify NCP of the allotment results of its clients' applications.

When using yellow application forms, NCP may fill in the forms as a nominee by providing the beneficial owner's identification code or account reference for identification purpose. NCP may then submit the completed form stamped with its broker chop together with a cheque to its GCP, who in turn fills in its CCASS Participant's I.D., and stamp its company chop with authorized signature(s) in the appropriate box in the form. On the allotment results announcement date, GCP will, based on the yellow form allotment report available from the CCASS Terminal, notify NCP of its clients' applications.

## **G) Appointment & Termination of GCP**

### **G1. How should an Exchange Participant go about appointing a GCP and when can it start the application process?**

Exchange Participant can appoint any clearing service provider to act as its GCP as long as the service provider has been admitted by HKSCC as a GCP. The NCP and/or the GCP should submit the Form 11 - Notification of Execution of Clearing Agreement to SEHK. The GCP shall, at the request of HKSCC, supply it with a certified true copy of the executed Clearing Agreement. An Exchange Participant who is already a CCASS Participant but wants to become a NCP also needs to terminate its CCASS Participants by giving 1 calendar month notice in advance in accordance with the CCASS Rules. A summary of application documents required for such change are available on HKEX website: [http://www.hkex.com.hk/eng/market/clr/secclr/clrarng\\_hksccl/tpc/tpcadmdoc/tpc\\_admdoc.htm](http://www.hkex.com.hk/eng/market/clr/secclr/clrarng_hksccl/tpc/tpcadmdoc/tpc_admdoc.htm).

### **G2. Who in the market intends to offer TPC service to Exchange Participant?**

A list of admitted GCPs is available on HKEX web-site under "List of Clearing Service Providers" [http://www.hkex.com.hk/eng/market/clr/secclr/clrarng\\_hksccl/tpc/tpc\\_serv.htm](http://www.hkex.com.hk/eng/market/clr/secclr/clrarng_hksccl/tpc/tpc_serv.htm).

The list also included those service providers who have previously expressed interest in providing TPC services to Exchange Participants.

**G3. When an Exchange Participant has decided to change from a DCP to NCP, what is the transitional arrangement for its CCASS settlement obligations, outstanding corporate actions etc.?**

An Exchange Participant's new CCASS clearing and settlement obligations arising from trades (i.e. Exchange Trades and exercised/assigned option contracts) concluded on or after the Clearing Agreement effective date are cleared and settled in CCASS by the GCP. The Exchange Participant's CCASS clearing and settlement obligations arising from trades concluded before the effective date are still cleared and settled under the Exchange Participant's own DCP's CCASS account. To facilitate settlement of outstanding positions and completion of outstanding corporate activities arising from positions/stock holdings concluded and held by the Exchange Participant before the Clearing Agreement effective date, HKSCC allows the Exchange Participant's DCP account to remain operational for a period of time for the purpose of completing all outstanding CCASS matters.

**G4. How can a NCP terminate its GCP's appointment?**

NCP can terminate its appointment of a GCP by terminating the Clearing Agreement according to the terms specified therein. A NCP must notify SEHK by submitting the Form 12 – Notification of Termination of Clearing Agreement as soon as it has reached such decision. NCP needs to notify the other party to the Clearing Agreement and the Intermediaries Supervision Department of SFC of its intention to terminate the Clearing Agreement. SEHK shall effect the termination as soon as possible.

**G5. What if a NCP no longer has a valid, binding and effective Clearing Agreement?**

Since a NCP has outsourced its CCASS clearing and settlement obligations to its GCP, it is not allowed to trade on the SEHK if it does not have a valid, binding and effective Clearing Agreement. As such, a NCP is advised to secure a new Clearing Agreement with another GCP to take up its CCASS clearing and settlement obligations or to become a CCASS DCP before terminating the existing GCP.

**G6. Is there any concession for CCASS fees as a result of an Exchange Participant changing its status to NCP?**

CCASS fee concessions may be granted in accordance with CCASS Operational Procedures upon application made by participants for the purpose of changing its status to become NCP. For example, settlement instruction fee concession is offered to Exchange Participant for the purpose of transferring its securities holdings from its CCASS DCP account to the GCP's CCASS account.



## **H) Regulatory Matters**

### **H1. Under TPC arrangement, is there any reduction to the capital requirement of NCP's Financial Resources Requirement (FRR)?**

No, NCPs are generally required to comply with the FRR as stipulated in the Securities and Futures Ordinance. Further enquiry should be addressed to the SFC.

### **H2. Will an Exchange Participant need to notify SFC if it appoints a GCP under the TPC arrangement?**

An Exchange Participant planning to appoint a GCP should notify the SFC. This should be done before the Clearing Agreement with its GCP is executed. Further enquiry should be addressed to the SFC.

### **H3. Does a GCP, in its capacity as a clearing service provider, need to take up the legal obligation of complying with the SFO and Rules of the Exchange imposed on an Exchange Participant?**

The NCP, being an Exchange Participant is still primarily responsible for complying with the regulatory requirements imposed on an Exchange Participant, although, it may on commercial arrangement request its GCP to carry out on its behalf some duties (such as filing Financial Return to the SFC) in relation to the activities which it has outsourced to the GCP. In this case, this should be agreed between the two parties upfront and include in the Clearing Agreement where appropriate.

### **H4. What other regulatory condition should an LC becoming GCP fulfill?**

LC be it an Exchange Participant or not should notify the SFC of its plan to become a GCP before it submits application to HKSCC. HKSCC will also consult the SFC before it approves an application to admit a licensed corporation to become a GCP. Further enquiry should be addressed to the SFC.

## **I) Admission to become a GCP**

### **I1. Who can become a GCP?**

To be eligible to become a GCP, an applicant must be a licensed corporation (LC) licensed or a registered institution (RI) registered, to carry on type 1 regulated activity under the Securities and Futures Ordinance. Detailed admission criteria are included in Section 1.1 of the TPC Explanatory Document: [http://www.hkex.com.hk/eng/market/clr/secclr/clrarng\\_hksc/tpc/Documents/TPC\\_EN.pdf](http://www.hkex.com.hk/eng/market/clr/secclr/clrarng_hksc/tpc/Documents/TPC_EN.pdf).

### **I2. What are GCP's business capabilities in clearing operations?**

A potential applicant who wants to become a GCP must have sufficient experience and expertise in providing clearing services to market participants such as settlement, custody, nominees and funding related operations etc. In other words, it must have designated persons with adequate qualification, appropriate system and infrastructure in place to manage the business and its associated risk exposure. For risk management capability, please refer to Q. J1 for further information.



**I3. What is the application procedure for GCP and when does HKEX accept applications?**

Interested party who wants to apply to become GCP can contact the CCASS hotline at 2979-7111 or e-mail to [tpc@hkex.com.hk](mailto:tpc@hkex.com.hk). Details of the application procedure can be found in the HKEX website: [http://www.hkex.com.hk/eng/market/clr/secclr/clarng\\_hksc/tpc/tpcadmdoc/tpc\\_admdoc.htm](http://www.hkex.com.hk/eng/market/clr/secclr/clarng_hksc/tpc/tpcadmdoc/tpc_admdoc.htm).

**I4. Can an existing CCASS DCP or Custodian Participant become a GCP?**

Yes, an existing CCASS DCP or Custodian Participant must terminate its existing CCASS Participantship and re-apply to become a GCP.

For operational efficiency, existing DCPs or Custodians who have been admitted as GCP do not need to change their existing CCASS accounts and Participant ID numbers. HKSCC will update the participant status internally granting it all GCP's related CCASS functions from the admission date.

**J) GCP's Business Operations**

**J1. How does GCP manage its risk exposure to NCP?**

GCP is responsible to develop its own risk management capability in monitoring its exposure to NCP, which may involve providing appropriate trading and back office systems to intercept NCP's trades prior to or immediately after trade orders have been executed on SEHK. In order to facilitate GCP's monitoring process, CCASS also provides Intra-day Trade File during the trading hours shortly after 09:45, 10:15, 10:45, 11:30, 12:00, 13:15, 14:00, 14:45, 15:30 and 16:25 ( Report Description: [http://www.hkex.com.hk/eng/market/clr/secclr/ccass3/parttug/documents/T02a\\_CCLID01.pdf](http://www.hkex.com.hk/eng/market/clr/secclr/ccass3/parttug/documents/T02a_CCLID01.pdf) ; Report Data Download File Layout: [http://www.hkex.com.hk/eng/market/clr/secclr/ccass3/parttug/documents/D4402a\\_CCLID01.pdf](http://www.hkex.com.hk/eng/market/clr/secclr/ccass3/parttug/documents/D4402a_CCLID01.pdf)) and NCP Marks Projection Report after the intraday marks processing at around 11:45 and day-end mark processing at 20:15 ([http://www.hkex.com.hk/eng/market/clr/secclr/ccass3/parttug/documents/T17a\\_CRMNP01.pdf](http://www.hkex.com.hk/eng/market/clr/secclr/ccass3/parttug/documents/T17a_CRMNP01.pdf)) for GCP to track its risk exposure at NCP level.

**J2. How does a GCP terminate its clearing services with a NCP?**

GCP can terminate its service provided to a NCP by terminating its Clearing Agreement according to the terms specified therein. A GCP must notify SEHK by submitting the Form 12 – Notification of Termination of Clearing Agreement as soon as it has made such decision. GCP should also notify the other party to the Clearing Agreement and the Intermediaries Supervision Department of SFC of its intention to terminate the Clearing Agreement. SEHK will effect the termination as soon as possible.

**J3. Is GCP able to get CCASS information (e.g. CNS positions, marks) which are specific to NCP?**

Trades executed by NCP are netted in one position with the trades executed by GCP (if the GCP is also an Exchange Participant) and its other NCPs. However, CCASS provides detailed information of the CNS positions of each NCP for GCP's reference in order to facilitate the operations of GCP: two existing CCASS reports namely Provisional Clearing Statement and Final Clearing Statement have been enhanced to provide the trade details and CNS positions at its underlying NCP level ([http://www.hkex.com.hk/eng/market/clr/secclr/ccass3/parttug/documents/T01\\_CCLTN04.pdf](http://www.hkex.com.hk/eng/market/clr/secclr/ccass3/parttug/documents/T01_CCLTN04.pdf) and [http://www.hkex.com.hk/eng/market/clr/secclr/ccass3/parttug/documents/T02\\_CCLTN05.pdf](http://www.hkex.com.hk/eng/market/clr/secclr/ccass3/parttug/documents/T02_CCLTN05.pdf) respectively). In addition, an on-line function is provided for GCP to enquire the details of all its NCP relationships and the relevant details of each clearing arrangement, including the commencement and termination dates for each clearing relationship.

**K) Risk management measures adopted by HKSCC**

**K1. What are the risk management measures adopted by HKSCC on GCP?**

Existing CCASS risk management measures for DCPs (such as securities on-hold, marks collection) are applied to all Clearing Participants (i.e. GCPs and NCPs). For GCP, there are different admission criteria. Amongst others, GCP is required to meet a much higher minimum liquid capital requirement and contribute more to the Guarantee Fund than DCP in order to ensure that their financial strengths can support the clearing business.

**K2. Is a GCP liable to contribute further Guaranteed Fund even after it has notified HKEX of its termination as a GCP?**

A GCP may limit its obligations to replenish its contributions by resigning its CCASS participantship. The General Rules of CCASS specifies that the liability of a resigning GCP will be limited to the amount of its required contributions on the day that the GCP's termination notice is received by HKSCC, plus two times of such amount (Cap). If a replenishment notice is issued to a GCP, it will be given three business days to settle the replenishment contribution (unless an earlier payment date is demanded by HKSCC in light of the circumstances). In the event that a GCP's termination notice is received within the three business days, the Cap will be applied to cover the demanded replenishment and its future replenishment obligations. If however the GCP's termination notice is received after the three business days, it would have to pay up the replenishment so demanded, but its liability to future replenishment would be limited to the Cap.

## **L) For Participants who trade in both Cash and Derivatives Markets**

### **L1. Is the TPC model to be introduced to the cash market similar to that of the derivatives markets, i.e. futures and options markets?**

Unlike derivatives markets where participants can choose to give up their trades either on a trade/position basis (in this case, the participant is still a Clearing Participant of the relevant clearing house) or “all-or-nothing” basis (where the participant concerned becomes a NCP), all trades executed by an Exchange Participant in the cash market are cleared by its GCP on an “all-or-nothing” basis in CCASS if the Exchange Participant opts for TPC and becomes NCP.

### **L2. Can an Exchange Participant appoint the same GCP in both the cash and derivatives markets?**

Yes, Exchange Participant can appoint any GCP according to its business needs. This includes appointing the same clearing service provider that has been admitted as GCP in both markets.

### **L3. Can an Exchange Participant, if involved in both cash and derivatives markets appoint a GCP in derivatives market but continue to self-clear in the cash market or vice-versa?**

Yes, Participants can decide to adopt TPC in either market or both markets according to their operational needs. It is possible to self-clear in the cash market but appoint a GCP in derivatives market or vice-versa.

### **L4. Can an Exchange Participant, if involved in both cash and options markets, choose different GCPs for each market?**

It is possible for an Exchange Participant to appoint different GCPs to handle its options contracts in the SEHK Options Clearing House (SEOCH) and its Exchange Trades in CCASS. In this business model, the Exchange Trades of the Exchange Participant concerned are cleared by its CCASS GCP, and its option contracts are cleared by its SEOCH GCP. The exercised option trades “EOT” of the SEOCH GCP (which should include the Exchange Participant’s EOT) are cleared and settled in CCASS under the SEOCH-GCP’s own CCASS participant’s name. Hence, practically the Exchange Participant’s stocks may be safe-kept in separate CCASS accounts of its GCPs which may not be efficient for its CCASS settlement and collateral management.

For further enquiries, please contact CCASS hotline at 2979-7111 or e-mail to [tpc@hkex.com.hk](mailto:tpc@hkex.com.hk).