

香港中央結算有限公司
(香港交易及結算所有限公司全資附屬公司)

HONG KONG SECURITIES CLEARING COMPANY LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: Invitation to apply for approval as Authorized Brokers of Hong Kong Securities Clearing Company Limited
Enquiry: Hotline: 2979 7111 / E-mail: clearingps@hkex.com.hk

1. Hong Kong Securities Clearing Company Limited ("HKSCC") invites interested participants ("Participants") of The Stock Exchange of Hong Kong Limited ("SEHK") to apply for acting as HKSCC's Authorized Brokers ("ABs"). Selected ABs will be dealing in securities on HKSCC's behalf for various purposes including execution of buy-in/closing-out transactions and selling of fractional shares. Existing ABs who are interested need to reapply in accordance with the procedures set out in this circular in order to continue providing buy-in services for HKSCC. All Participants appointed as ABs will start providing services to HKSCC tentatively in the first quarter of 2020. HKSCC will notify the relevant ABs of the exact date of the appointment.
2. Up to a maximum of 10 Participants will be appointed as ABs and all of which will be on the active roster to take orders from HKSCC on a rotational basis. For those Participants appointed as ABs and are capable to offer buy-in services for both Exchange Trades and China Connect Securities Trades, it is highly preferable that buy-in services for both types of trades can be provided. A Participant who intends to apply to become an AB is required to meet the following criteria:
 - 2.1. Must not be subject to disciplinary actions including public censure by SEHK or the Securities and Futures Commission and/or have been on their surveillance lists in the past twelve months;
 - 2.2. Must maintain a minimum liquid capital of HK\$100 million;
 - 2.3. Must agree to meet HKSCC standard terms and conditions of services including those set out in Appendix 1;
 - 2.4. Must have established strong execution capability. In considering a Participant's execution capability, HKSCC shall refer to their track records;
 - 2.5. Must be able to commit to offering competitive commission rates.

3. To improve the efficiency on the buy-in process, HKEX will also consider the abilities of AB to offer any or all of the following preferred services:
 - 3.1 Ability to execute Buy-in Transactions for Eligible Securities including China Connect Securities;
 - 3.2 Ability to provide electronic order placement and confirmation;
 - 3.3 Ability to execute Buy-in Transactions by volume weighted average price ("VWAP") strategy if HKSCC requires.
4. HKEX prohibits its staff from soliciting or accepting advantages including rebates from any Participant without the company's permission. Participants therefore shall not offer any advantages to any staff of the company in any business dealings. Failure to observe these requirements will result in the application being invalidated. HKEX may also report any contravention of the Prevention of Bribery Ordinance to the Independent Commission Against Corruption.
5. The applying Participants shall keep all information relating to its application, including the commission rate, confidential. Such information will remain strictly confidential, and Participant will not disclose or divulge or cause or permit to be disclosed or divulged such confidential information (in whole or in part) to any third party.
6. The applying Participant shall restrict the confidential information to its employees who are directly concerned with the application and on a need-to-know basis.
7. In the event that an appointed AB fails to comply with the criteria in paragraphs 2, 4 to 6 above, and/or terms and conditions of services when carrying out its AB services, the appointed AB should immediately inform HKSCC and HKSCC will stop placing order with such Participant with immediate effect without giving advance notice.
8. Participants who are interested in applying for acting as ABs shall complete and submit the AB application form (Attachment) in a sealed envelope marked as "Application to become Authorized Broker for HKSCC" for the attention of Clearing Operations, Hong Kong Exchanges and Clearing Limited. All submissions must be deposited into the collection box located at 8/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong no later than 12:00 noon on 12 August 2019. Late submissions will not be accepted.

9. Participants who do not receive response from HKSCC by 31 December 2019 shall assume that their applications not successful. HKSCC intends to carry out ABs selection every three years. Invitation for the next application is tentatively scheduled for 2022.

Hector Lau
Managing Director
Clearing Operations

Appendix 1

Conditions of services

1. Trading mechanism
 - 1.1. ABs are required to follow the trading mechanism on order placing as instructed by HKSCC from time to time. ABs shall immediately notify the Cash & Derivatives Settlement (“CDCO-Settlement”) of HKSCC on the price upon completion of an order. ABs are also required to submit an original or duplicated copy of the contract notes as specified under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules to CDCO-Settlement by 14:00 for China Connect Securities Trades and 18:00 for Exchange Trades on the trade day. The original contract notes must be delivered to CDCO-Settlement by 11:00 of the next business day following the trade day.
2. Settlement arrangement
 - 2.1. HKSCC will only pay ABs after receipt of shares. ABs are required to use their own funding to settle their settlement obligations and to fund marks payments and other collateral requirements. It is therefore a requirement that ABs must have adequate resources to bridge the funding requirements. ABs are required to make cash prepayment for the release of buy-in shares of Exchange Trades allocated to them. Cash prepayment for Exchange Trades should be made before 14:45 on T+2. Details on release of allocated shares can be found in CCASS Operational Procedures sections 10.12.6.
 - 2.2. All buy-in trades for Exchange Trades must be settled on a Delivery versus Payment (“DVP”) basis via Investor Settlement Instructions as notified by HKSCC. ABs shall ensure that the buy-in shares allocated from CCASS are delivered to HKSCC for settlement without delay. All selling trades are to be settled on due settlement date on a Realtime Delivery versus Payment (“RDP”) basis via Investor Settlement Instructions or such other payment methods as notified by HKSCC.
 - 2.3. All buy-in trades for China Connect Securities must be settled on a Delivery versus Payment (DVP) basis as notified by HKSCC. ABs shall ensure that the buy-in shares allocated from CCASS are delivered to HKSCC for settlement without delay. HKSCC will settle the buy-in trades by debiting the allocated shares from AB’s Stock Account and crediting the purchase amounts to AB’s money ledger for settlement via Direct Credit Instruction / Chats Payment Instruction (“CPI”) on due settlement date or such other payment methods as notified by HKSCC. All selling trades for China Connect Securities must be settled on a DVP basis as notified by HKSCC. HKSCC will settle the selling trades by depositing the selling shares into AB’s Stock Account and debiting the sale proceeds from AB’s money ledger for settlement via Direct Debit Instruction / CPI on due settlement date or such other payment methods as notified by HKSCC.

Attachment

Application to become Authorized Broker for HKSCC

1. Participant's particulars

Participant ID : _____ Central Entity No.: _____
Participant Name : _____
Contact Persons : I. _____ II. _____
Title : I. _____ II. _____
Tel. No. : I. _____ II. _____

2. Preferred Services for Buy-in Transactions (please tick as appropriate)

- ☐ Ability to execute Buy-in Transactions for Eligible Securities including China Connect Securities;
- ☐ Ability to provide electronic order placement and confirmation;
- ☐ Ability to execute Buy-in Transactions by volume weighted average price ("VWAP") strategy

3. Commission

Our commission rate is _____ % for Exchange Trades and China Connect Securities Trades, if applicable

Minimum commission inclusive of all charges and in absolute amount, if any:
HK\$ _____ (Minimum commission for China Connect Securities Trades, if applicable, will be converted into RMB at an exchange rate stipulated by HKSCC)

4. Supporting documents to be provided by HKSCC to open stock trading account

5. Contact persons to accept orders from HKSCC

Contact Persons:	I. _____	II. _____
Title :	I. _____	II. _____
Tel. No. :	I. _____	II. _____
Fax. No. :	I. _____	II. _____
Email :	I. _____	II. _____

6. We confirm that the information provided in this application related to us is complete, true and correct. We also understand and will meet HKSCC standard terms and conditions of services including those set out in Appendix 1 if we are appointed as the Authorized Broker for HKSCC.

Authorized Signature
(with Company Chop ONLY applicable if it forms part of your signing instruction)

Date Signed