

**CONSULTATION CONCLUSIONS
ON INTRODUCTION OF A
T+2 FINALITY ARRANGEMENT
FOR CCASS MONEY SETTLEMENT**

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Hong Kong Exchanges and Clearing Limited
香港交易及結算所有限公司

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EXECUTIVE SUMMARY

1. This document presents the results of the public consultation¹ on our proposal to introduce a T+2 Finality arrangement for money settlement of Exchange Trades and Settlement Instructions (SIs) in the Central Clearing and Settlement System (CCASS) operated by Hong Kong Securities Clearing Company Limited (HKSCC), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (HKEx).
2. HKEx received 29 responses from market participants and industry associations and the majority of the respondents expressed their support for the implementation of the proposal.
3. The Hong Kong Association of Banks (HKAB) and several Designated Banks² were concerned about the proposed one-hour processing window being too short and requested longer time for Designated Banks to process CCASS money settlement instructions, complete the funding and credit assessment and report rejected payments to HKSCC. Some broker associations were concerned that the shortened money settlement cycle would adversely affect the competitive position of small to medium sized brokers because their clients may be required to deposit cheques into their bank accounts much earlier than they are now in order for brokers to meet their Continuous Net Settlement (CNS) payment obligations³ to HKSCC on T+2 or otherwise they may need to obtain additional credit facilities to fund their operations.
4. To address their concerns, HKEx has worked with the Hong Kong Monetary Authority (HKMA) and Hong Kong Interbank Clearing Limited (HKICL) and revised the proposed arrangement to address the business and technical issues involved. The revised arrangement as outlined later in this document will provide sufficient time for Designated Banks to complete the CCASS money settlement instruction processing and allow brokers to preserve their money settlement arrangement with their clients with minimal impact to their daily operations and client service level.
5. HKEx has consulted HKAB and several broker associations on the revised arrangement and they are all supportive of the changes made to the original proposal and consider that the revised arrangement addresses the concerns raised.
6. Part A of this document describes the consultation process. Part B summarises the major comments received and our responses. Part C provides details of the revised arrangement and the conclusions.

¹ The consultation paper is available on the HKEx website at http://www.hkex.com.hk/eng/newsconsul/mktconsul/documents/cp200911_e.pdf.

² Each CCASS Participant has to appoint a Designated Bank to effect money settlement on its behalf. Likewise, HKSCC appoints its own agent bank to effect money settlement with Designated Banks of the Participants.

³ Exchange Trades may be settled under the CNS system or as Isolated Trades (IT) in CCASS. Trades settled on CNS basis are novated by HKSCC as the central counterparty guaranteeing settlement to both the buying and selling Participants. The money obligations for all CNS trades of each trading day are netted into a single CNS payment obligation for each Participant for money settlement on T+2 which will be either a debit amount payable by the Participant to HKSCC or a credit amount payable by HKSCC to the Participant. Money settlement for IT is similar to SI and they are both settled on gross basis between the Participants themselves without involving HKSCC.

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7. Subject to the approval by the Securities and Futures Commission (SFC) of the necessary rule amendments, HKEx aims to implement the revised T+2 Finality arrangement for CCASS money settlement by the third quarter of 2011.

PART A: INTRODUCTION

8. On 27 November 2009, HKEx published a “Consultation Paper on Introduction of a T+2 Finality Arrangement for CCASS Money Settlement” (Consultation Paper) proposing a new money settlement arrangement to reduce the credit risks of HKSCC and its Participants by finalising and completing both securities and money settlement on the same day.
9. In essence, the Consultation Paper proposed to introduce a new interbank bulk settlement run at 5:30 pm on every business day to support money settlement related to Exchange Trades and SIs⁴ on T+2. Under the proposed arrangement:
 - Designated Banks would have one hour from 4:20 pm to 5:20 pm to process CCASS money settlement instructions, perform funding and credit assessment on their CCASS Participant clients and report any rejected payment items to HKSCC;
 - HKICL would exclude any rejected items as instructed by HKSCC and execute the new interbank bulk settlement run by 5:30 pm.
10. The consultation ended on 26 February 2010. HKEx received a total of 29 submissions from CCASS Participants, Designated Banks, broker associations, an asset management firm, HKAB, HKICL and SWIFT⁵ Hong Kong. The table below summarises the respondents by type.

CCASS Participants	17
Designated Banks	4
Broker Associations	4
Asset Management Firm	1
HKAB	1
HKICL	1
SWIFT Hong Kong	1
Total	29

11. A list of the respondents is provided in **Appendix I**.

The full texts of the submissions are available on the HKEx website at <http://www.hkex.com.hk/eng/newsconsul/mktconsul/responses/cp200911r.htm> .
12. This consultation conclusions report summarises the main points made by the respondents and provides conclusions as to how HKEx will proceed with the proposal. This document should be read in conjunction with the Consultation Paper, a copy of which is posted on the HKEx website.
13. HKEx would like to thank all those who have responded to the Consultation Paper and who have participated and shared their views and suggestions in various meetings and discussions during the consultation process.

⁴ Please refer to Part A of the Consultation Paper for further details on the existing CCASS money settlement mechanism.

⁵ SWIFT stands for the Society for Worldwide Interbank Financial Telecommunication.

PART B: OVERALL MARKET FEEDBACK

Implementation of the T+2 Finality initiative

14. HKEx is encouraged by the broad support given by the respondents to the proposal in the Consultation Paper. Of the 29 responses received, 25 expressed their support for the implementation of the proposed T+2 Finality arrangement⁶. The majority of the respondents believed that the T+2 Finality initiative would reduce the overnight credit risk, enhance the clearing and settlement efficiency, align the current money settlement arrangement in Hong Kong with international best practices and improve the competitiveness of the Hong Kong market infrastructure.
15. Three broker associations were not in favour of the proposed arrangement and commented that the existing CCASS settlement system was already highly efficient and there was no need to implement any change at this time. In particular, they were concerned that under the proposed arrangement, the shortened money settlement cycle would adversely affect the competitive position of the local brokers especially small to medium sized brokers because their clients may be required to deposit cheques into their bank accounts much earlier than today, say on T+1, in order for brokers to meet their CNS payment obligations to HKSCC on T+2 or otherwise they may need to obtain additional credit facilities to fund their operations.
16. HKEx Response: With the support of the HKMA and HKICL, HKEx has assessed the business and technical issues involved (as discussed later in this Part B) and revised certain aspects of the original proposal to address the concerns raised. HKEx has further consulted HKAB and several broker associations⁷ on the revised arrangement and they are all supportive of the changes made to the original proposal and consider that the revised T+2 Finality arrangement as described in Part C of this document will address the concerns raised.

Designated Banks' request for longer processing time

17. Under the original proposal, Designated Banks would have to process their CCASS money settlement instructions and complete the funding and credit assessment for their CCASS Participant clients within a one-hour processing window. HKAB and several Designated Banks commented that the short processing window would increase their operational risks and should be extended.
18. HKEx Response: HKEx has revised the original proposal to extend the processing window from 1 hour (i.e. 4:20 pm to 5:20 pm) to 1 hour and 40 minutes (i.e. 4:05 pm to 5:45 pm) so that Designated Banks can start processing CCASS money settlement instructions at 4:05 pm and have until 5:45 pm to reject any CCASS payment items to HKSCC. HKAB has been consulted on the revised time schedule and considers it sufficient for Designated Banks to complete the CCASS money settlement instruction processing under normal circumstances.

⁶ One broker responded with comments to the proposed arrangement but did not indicate whether it would support or not.

⁷ Including the three broker associations that did not support or had reservations on the original proposal.

Brokers' concern about cheque payments by clients

19. Most broker respondents indicated that they would have sufficient financial resources, banking arrangement and operational support to settle CCASS money obligations on T+2 as proposed.
20. However, some respondents raised concern about the potential impact of the proposed 5:20 pm deadline for rejection of CCASS payment items to HKSCC. Many small to medium sized brokers rely on the timely deposit of client cheques into their bank accounts so that their banks can determine the amounts that can be drawn against their credit facilities⁸ to settle their CNS payment obligations to HKSCC. However, some banks may accept cheques deposited via their bank counters until the close of banking hours at 5:00 pm and some offer cheque collection boxes⁹ which collect cheques during the day for processing after banking hours so that cheques collected will only be processed as late as 8:00 pm. If cheques cannot be credited to brokers' bank accounts by 5:20 pm, brokers may need more financial resources and/or to obtain larger and more expensive credit facilities to fund their operations, thus increasing their cost of doing business.
21. **HKEx Response:** Under the revised arrangement, the processing window will be extended from 5:20 pm to 5:45 pm to allow Designated Banks more time to process cheques and conduct funding and credit assessment. In addition, Designated Banks will have until 8:00 pm to reject any CCASS payment items which represent CNS payment obligations to HKSCC. The extended payment rejection window will allow Designated Banks to take into account all client cheques deposited through the collection boxes before assessing the brokers' funding positions. Brokers will be able to preserve their money settlement arrangement with their clients with minimal impact to their daily operations and client service level.

Inward Remittance from investors outside Hong Kong

22. A few respondents commented that the proposed arrangement would shorten the money settlement cycle and impose more stringent requirements on investors outside Hong Kong who would need to remit funds to Hong Kong earlier to meet the T+2 settlement deadline.
23. **HKEx Response:** Under the revised arrangement, the processing window for all CCASS payment items will be extended to 5:45 pm. The revised timeframe is very close to the RTGS¹⁰ payment system's cut-off time for banks' customer transactions and therefore will allow banks sufficient time to process inward remittances from outside Hong Kong received during T+2.

⁸ It is a common market practice for banks to grant credit facilities to brokers whereby the amounts that can be drawn down against the credit line is subject to the amount of client cheques deposited into their bank accounts on the same day as evidence of money collection although good funds are not yet cleared.

⁹ These cheque collection boxes are frequently used by clients of small to medium sized brokers to drop in cheques at any branches of Designated Banks on T+2 to settle Exchange Trade related payments to the brokers.

¹⁰ The Real Time Gross Settlement payment system operated by HKICL.

Nominee-related payments

24. HKAB and a Designated Bank suggested HKSCC make nominee-related payments, such as distribution of dividend entitlements, during the proposed additional interbank bulk settlement run. This would benefit market participants by reducing their funding needs.
25. HKEx Response: Currently, CCASS Participants can choose to receive nominee-related payments from HKSCC via intra-day RTGS payment at around 2:30 pm¹¹. HKSCC will provide a further option for CCASS Participants to choose to receive nominee-related payments from CCASS during the additional interbank bulk settlement run.

Real Time DVP settlement

26. Two brokers commented that even after the implementation of the proposed arrangement, there would still be a time gap between securities and money settlement in CCASS during the settlement day. They suggested HKSCC consider enhancing the proposed arrangement to enable money obligations to be settled either instantaneously when securities are settled or at least after each securities batch settlement run in CCASS during T+2.
27. HKEx Response: At present, CCASS Participants can already choose to settle SI on a Real Time Delivery versus Payment (RDP) basis whereby CCASS will collect shares from the delivering party first and deliver shares to the receiving party when payment confirmation is received. For CNS settlement, CCASS Participants can choose to make cash prepayments during the day to take delivery of CNS shares delivered to their stock accounts or to receive intra-day RTGS payments from CCASS for CNS shares delivered to HKSCC at around 2:30 pm after the third batch settlement run. To implement real time money settlement for all CCASS transactions would create liquidity pressures and additional operational and funding costs to market participants and will not be considered at this stage.

Contingency arrangement

28. HKAB, HKICL and a Designated Bank highlighted the need to establish a market-wide contingency arrangement and provided various suggestions on the detailed arrangements to HKEx.

¹¹ Distribution will be made for nominee-related payments that HKSCC has received good funds from the issuers before noon.

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29. HKEx Response: HKEx has agreed with the HKMA, HKICL and HKAB on a high-level framework for dealing with contingency scenarios, including systems failure of HKSCC, HKICL or Designated Banks; transmission failure among these parties and various typhoon and black rainstorm conditions. In an extreme situation, HKSCC, in consultation with the HKMA, may decide to defer the T+2 CCASS money settlement to the following interbank bulk settlement run at 9:30 am in the morning of T+3 under the existing settlement arrangement. HKEx will continue to work with the parties concerned on the detailed contingency arrangements and communicate with market participants in due course and before implementation regarding the revised arrangement.

Other comments received

30. Some respondents also provided various relatively minor comments and suggestions regarding the technical aspects of the T+2 Finality arrangement and implementation approach, such as recycling of funds to the interbank market at day end, liquidity impact to Designated Banks, synchronising the rejection process of CCASS payment items at different interbank bulk settlement runs, lead time to implement the revised arrangement and transitional arrangements.
31. HKEx Response: HKEx has been discussing with the relevant parties on these technical and implementation issues and will take into account of their comments and suggestions in due course, where appropriate, when finalising the detailed operational arrangement.

PART C: REVISED ARRANGEMENT AND CONCLUSIONS

Revised Arrangement

32. As discussed in Part B, HKEx has revised the proposed arrangement mainly in two areas:
- To extend the primary processing window from 1 hour to 1 hour 40 minutes for Designated Banks to complete the processing of CCASS money settlement instructions by 5:45pm before the interbank bulk settlement run commences at 5:50 pm; and
 - To allow Designated Banks to submit rejected CCASS payment items which represent Clearing Participants' CNS payment obligations (and cash collateral if any) to HKSCC by 8:00 pm¹² after the completion of the interbank bulk settlement run if they have not done so by 5:45 pm.
33. The revised arrangement is explained below and the detailed operational flow is illustrated in **Appendix II**.
34. In addition to the existing interbank bulk settlement runs at 9:30 am and 2:15 pm, HKICL will introduce an additional interbank bulk settlement run at 5:50 pm to settle CCASS money settlement instructions arising from CNS, Isolated Trade (IT) and SI transactions¹³.
35. To facilitate Designated Banks' managing and arranging of funding for the additional interbank bulk settlement run, HKSCC will provide money settlement information on CNS, IT and SI transactions of their CCASS Participant clients to Designated Banks after each of the four batch settlement runs in CCASS throughout the settlement day on T+2. Information on SIs to be settled in the final batch settlement run will also be provided after the SI matching run at 3:15 pm.
36. Upon completion of the final batch settlement run commencing at 3:45 pm, money settlement instructions will be generated by CCASS and transmitted to HKICL for the interbank bulk clearing processing.

¹² This is to address concerns raised by some broker associations during the consultation that client cheques deposited via collection boxes that are required for credit assessment purposes are usually processed by the banks after office hours and credited to the brokers' bank accounts as late as 8:00 pm.

¹³ Together with any cash collateral to be collected from Participants and nominee-related monies to be paid by HKSCC.

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37. Designated Banks may download money settlement instructions directly from CCASS at 4:05 pm through their CCASS Terminals / Participant Gateways to start their credit assessment process. In addition, Designated Banks will continue to receive clearing and settlement reports¹⁴ from HKICL at around 4:20 pm through its existing File Transfer Service¹⁵. Designated Banks will then process these money settlement instructions in their internal systems to determine their CCASS Participant clients' funding positions and/or for credit assessment purposes.
 38. Designated Banks will be provided two input windows to submit payment rejections to CCASS should they decide to reject any CCASS money settlement instructions of their CCASS Participant clients. Details are described in the following five paragraphs.
 39. *Primary Input Window* Designated Banks may input any rejection for CCASS payment items by 5:45 pm through CCASS Terminals or Participant Gateways for onward transmission to HKICL. If there are no rejected items, HKICL will execute an interbank bulk settlement run at 5:50 pm (to be completed by 6:00 pm). Otherwise, HKICL will exclude the rejected items and execute the settlement run at 6:00 pm (to be completed by 6:15 pm)¹⁶.
 40. After completion of the settlement run, HKICL will inform Designated Banks via the settlement notification in SWIFT format if subscribed and Designated Banks can also enquire the CCASS settlement status and transactions through eMBT¹⁷. Designated Banks can then update the bank accounts of their CCASS Participant clients. HKSCC will also receive confirmation from its agent bank upon the completion of settlement.
 41. *Secondary Input Window* Designated Banks may input further rejection for CCASS payment items which represent CNS payment obligations (and cash collateral if any) to HKSCC up to 8:00 pm after the completion of the interbank bulk settlement run. For any items rejected, HKSCC will return the amounts already collected through the existing overnight interbank bulk clearing process and settle through the interbank bulk settlement run commencing at 9:30 am on T+3 (value T+2).
 42. If there is no rejected item received for a Participant's CNS payment obligations by 8:00 pm on T+2, HKSCC will shortly afterwards release the CNS shares previously put on hold in Participants' stock accounts. If a CCASS Participant fails to meet its CNS payment obligation to HKSCC on T+2, the Participant has defaulted in its performance obligation as stipulated in the General Rules of CCASS and HKSCC has a range of measures it can take in response to such default in accordance with those Rules.

¹⁴ In particular, the inward clearing file, the "Branch Listing of Inward CCASS Clearing Transactions" and the "Statement of Electronic Clearing (CCASS)".

¹⁵ Designated Banks may also collect tapes and hard copy reports from HKICL at around 4:45 pm. However, they may not have sufficient time to perform their credit assessment and submit rejected items if they only rely on the tapes and hard copy reports.

¹⁶ HKD CCASS Optimiser Payment Instructions can also be settled in this settlement run.

¹⁷ eMBT is the front-end terminal application of RTGS used by the banks.

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43. For further information, the revised timeline for CCASS Participants and Designated Banks to prepare funding for the new interbank bulk settlement run is highlighted in **Appendix III**, and the revised operational timeline of the three interbank bulk settlement runs for CCASS payment items is detailed in **Appendix IV**¹⁸.

Conclusions

44. The proposed implementation of the T+2 Finality arrangement received strong support from the market during the consultation and the business and technical issues raised by some respondents have now been addressed under the revised arrangement. Therefore, HKEx has decided to proceed with the implementation of the revised T+2 Finality arrangement for CCASS money settlement.
45. Subject to approval by the SFC of the necessary rule amendments, HKEx aims to implement the revised arrangement in the third quarter of 2011. To help CCASS Participants, Designated Banks and other relevant parties to prepare for its implementation, HKEx will conduct a series of communication and briefing sessions in due course and where necessary together with the HKMA, HKICL and other parties concerned.

¹⁸ In addition to the new interbank bulk settlement run to be introduced for T+2 Finality, minor changes will be made to the processing of rejected CCASS payment items for the existing 9:30 am interbank bulk settlement run. Designated Banks will report all rejected items by 9:30 am to HKSCC via CCASS Terminal or Participant Gateway and they are no longer required to call and send details of the rejected items by authenticated fax to HKICL. For the avoidance of doubt, processing of rejected CCASS payment items for the existing 2:15 pm interbank bulk settlement run will remain unchanged. Please refer to Appendix IV for the detailed revised timeline.

APPENDIX I: LIST OF RESPONDENTS

Clearing Participants (17 respondents)

- 1 BOCI Securities Limited
- 2 BNP Paribas Securities Services
- 3 Deutsche Bank AG Hong Kong Branch
- 4 J.P. Morgan Broking (Hong Kong) Limited
- 5 SG Securities Hong Kong Ltd
- 6 - 17 Clearing Participants requested anonymity (One of them elected not to have their opinion published)

Designated Banks (4 respondents)

- 18 Citibank N.A.
- 19 - 21 Designated Banks requested anonymity

Broker Associations (4 respondents)

- 22 The Hong Kong Association of Online Brokers
- 23 Hong Kong Securities Association
- 24 Hong Kong Securities Professionals Association
- 25 The Institute of Securities Dealers Ltd

Asset Management Firm (1 respondent)

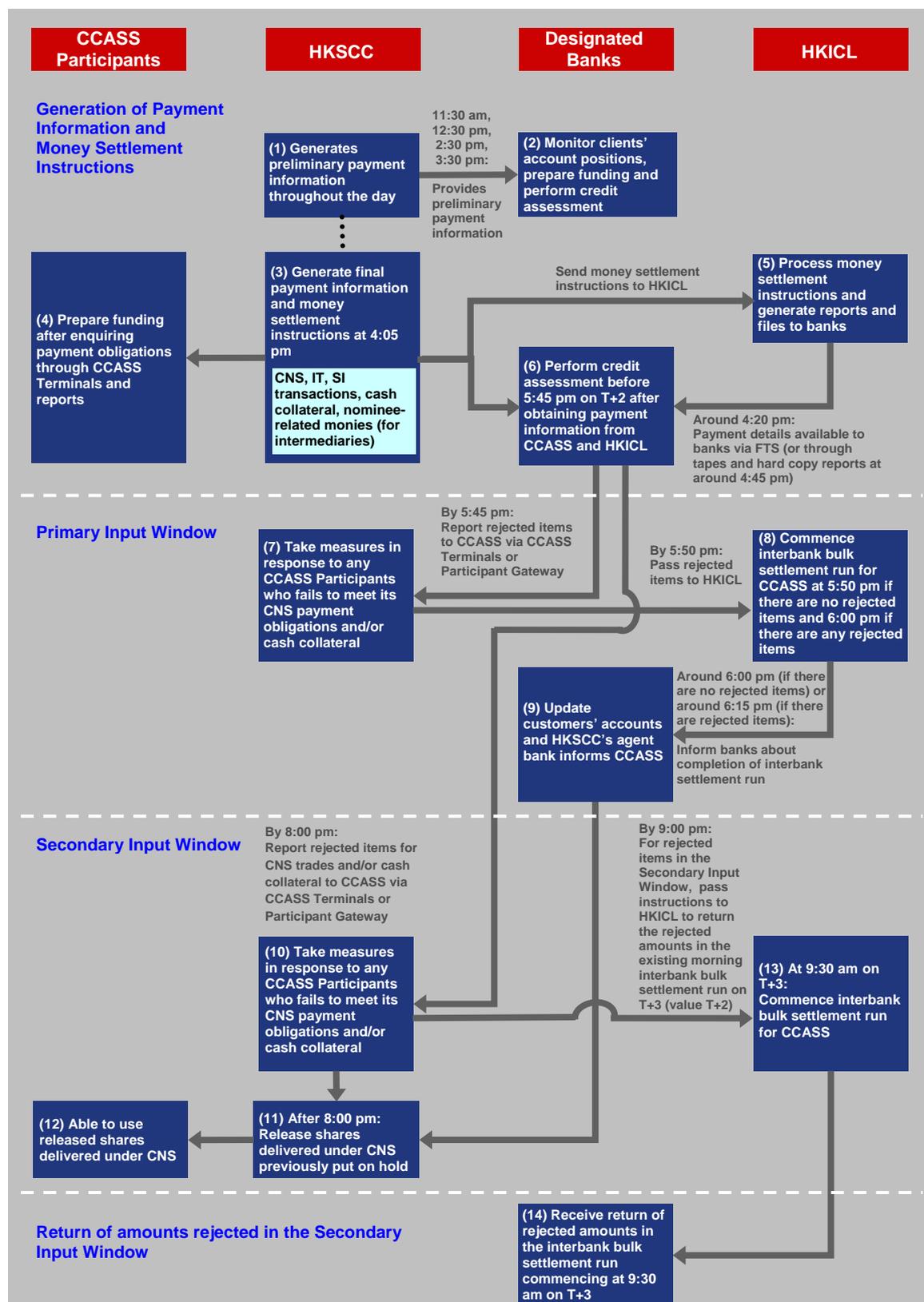
- 26 An Asset Management Firm requested anonymity

Others (3 respondents)

- 27 The Hong Kong Association of Banks (HKAB)
- 28 Hong Kong Interbank Clearing Limited (HKICL)
- 29 The Society for Worldwide Interbank Financial Telecommunication (SWIFT)
Hong Kong

APPENDIX II: THE REVISED CCASS MONEY SETTLEMENT FLOW

The diagram below illustrates the revised CCASS money settlement flow.



Descriptions:

Generation of Payment Information and Money Settlement Instructions

- (1) CCASS provides preliminary payment information to Designated Banks at around 11:30 am, 12:30 pm, 2:30 pm and 3:30 pm;
- (2) Based on the payment information from CCASS, Designated Banks monitor CCASS Participant clients' account positions, prepare funding and perform credit assessment as necessary;
- (3) After completion of the final batch settlement run commencing at around 3:45 pm, CCASS generates money settlement instruction files for CNS, IT, SI transactions, cash collateral and nominee-related monies (for intermediaries), sends the files to HKICL, and makes available payment information and money settlement instructions to CCASS Participants and Designated Banks at around 4:05 pm;
- (4) CCASS Participants enquire their payment obligations through CCASS Terminals and reports, and arrange funding with their Designated Banks;
- (5) HKICL processes money settlement instructions received from CCASS and generates reports and files to banks at around 4:20 pm through File Transfer Service (FTS) (Tapes and hard copy reports will also be available at around 4:45 pm);
- (6) Designated Banks receive payment details from HKSCC and HKICL, process the data internally and perform credit assessment on CCASS Participant clients before 5:45 pm. If a Designated Bank decides to reject any CCASS payment instructions, it has to inform HKSCC through its CCASS Terminal or Participant Gateway at or before 5:45 pm;

Primary Input Window

- (7) CCASS passes on rejected item (if any) to HKICL, and generates Return Report (if there are rejected items) to Designated Banks by 5:50 pm via CCASS Terminals. If a CCASS Participant fails to meet its CNS payment obligation and/or cash collaterals to HKSCC on T+2, the Participant has defaulted in its performance obligation as stipulated in the General Rules of CCASS and HKSCC has a range of measures it can take in response to such default in accordance with those Rules;
- (8) If there are no rejected items, the interbank bulk settlement run for CCASS will commence at 5:50 pm. Otherwise, HKICL will exclude the rejected items and commence the interbank bulk settlement run for CCASS at 6:00 pm. After completion of the settlement run, HKICL will inform Designated Banks via settlement notification in SWIFT format if subscribed and Designated Banks can also enquire the CCASS settlement status and transactions through eMBT. HKD CCASS Optimiser Payment Instructions are also settled in the same settlement run;
- (9) Based on the settlement information shown in eMBT, Designated Banks update the account balances of CCASS Participant clients and inform them accordingly. Designated Banks may place out the received funds before the RTGS window closes at 6:30 pm. The agent bank of HKSCC also updates the account balances of HKSCC and notifies HKSCC;

Secondary Input Window

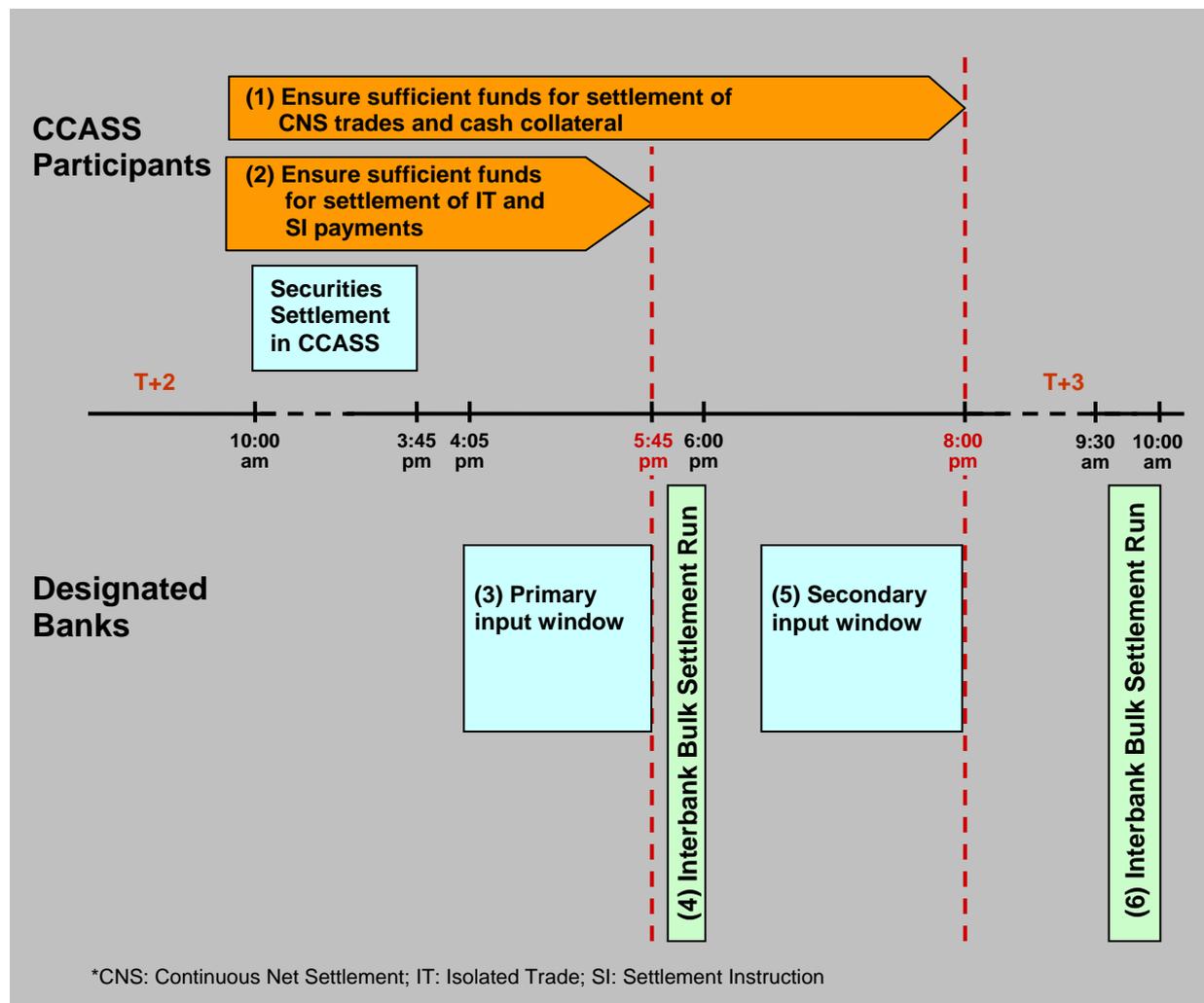
- (10) If a Designated Bank decides to reject any items for CNS trades and/or cash collaterals (i.e. under Direct Debit Instructions, DDIs), it has to inform HKSCC through its CCASS Terminal or Participant Gateway at or before 8:00 pm;
- (11) After 8:00 pm, HKSCC releases shares delivered under CNS previously put on hold;
- (12) CCASS Participants can make use of the released shares delivered under CNS;
- (13) For DDI items rejected by 8:00 pm, HKSCC will return the rejected amounts overnight (value T+2) and settle in the interbank bulk settlement run commencing at 9:30 am on T+3;

Return of amounts rejected in the Secondary Input Window

- (14) Designated Banks receive return of the rejected amounts in the interbank bulk settlement run commencing at 9:30 am in the morning of T+3.

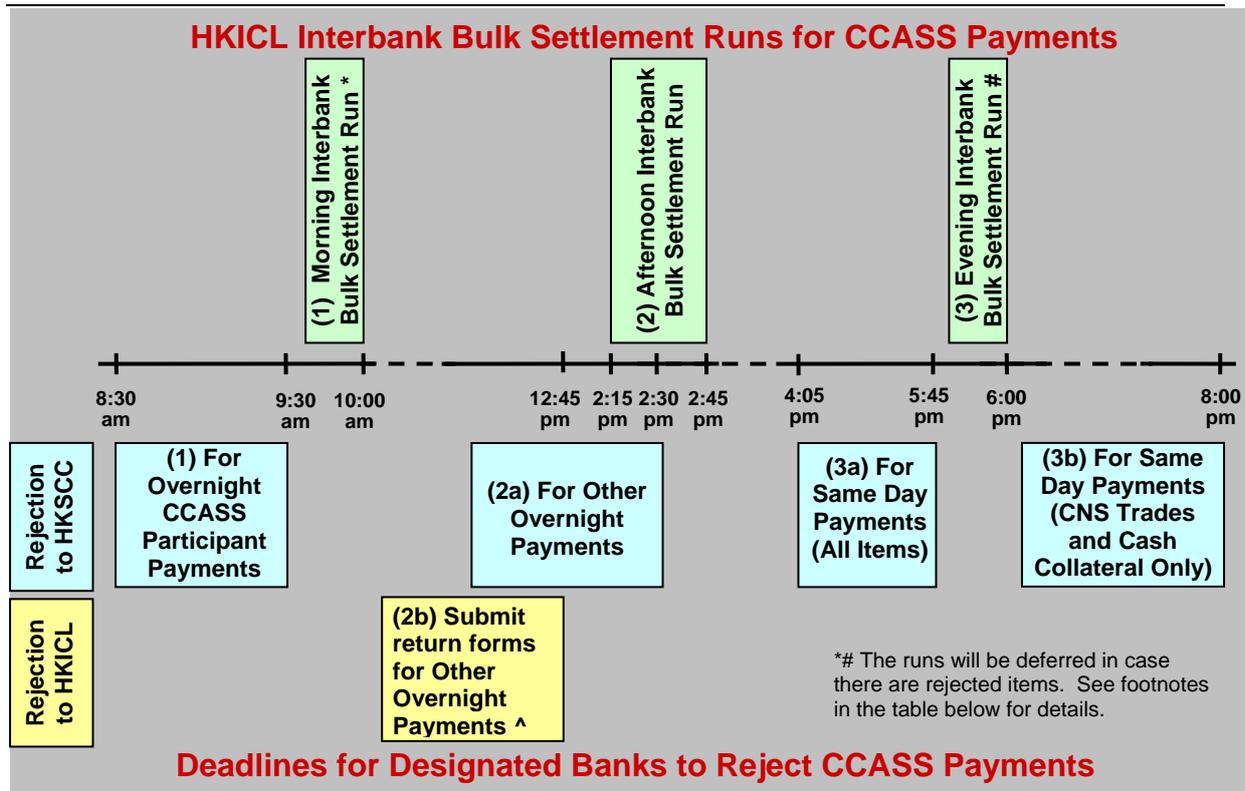
Note: The existing interbank bulk settlement runs for CCASS which start respectively at 9:30 am and 2:15 pm will continue to operate.

APPENDIX III: TIMELINE OF CCASS PARTICIPANTS AND DESIGNATED BANKS FOR THE NEW INTERBANK BULK SETTLEMENT RUN



- (1) CCASS Participants have until 8:00 pm to work with Designated Banks on CNS trades and cash collateral payments to HKSCC;
- (2) The bank processing window for SI and IT payments has been extended from 1 hour to 1 hour and 40 minutes. CCASS Participants can have until 5:45 pm to work with Designated Banks on SI and IT payments to counterparties;
- (3) Designated Banks may input rejection of any CCASS payment items by 5:45 pm;
- (4) For items rejected by 5:45 pm, HKICL will exclude those items in the 5:50 pm interbank bulk settlement run;
- (5) Designated Banks may input rejection of CCASS payment items arising from CNS payment obligations and cash collateral up to 8:00 pm after the completion of the interbank bulk settlement run;
- (6) For items rejected in the secondary input window, HKSCC will return the rejected amounts overnight (value T+2) and settle in the interbank bulk settlement run commencing at 9:30 am on T+3.

APPENDIX IV: INTERBANK BULK SETTLEMENT RUNS FOR CCASS PAYMENT ITEMS AFTER THE REVISED ARRANGEMENT



CCASS Payment Items	HKICL Interbank Bulk Settlement Runs	New / Existing Run	Input Window for Payment Rejection	Result of Payment Rejection
(1) CCASS Participant Items for overnight settlement, including <ul style="list-style-type: none"> marks nominee-related monies (for intermediaries) not distributed on the previous day Return of amount rejected in the secondary input window 	(1) Morning Settlement Run 9:30 am to 10:00 am *	Existing	(1) by 9:30 am to HKSCC for all rejected items (Designated Banks are no longer required to inform HKICL)	Exclude from the Interbank Bulk Settlement Run
(2) Other Payment Items for overnight settlement, including <ul style="list-style-type: none"> Investor Settlement Instructions (ISI) Electronic Initial Public Offerings (EIPO) instructions Nominees-related monies (for Investor Participants (IP)) 	(2) Afternoon Settlement Run 2:15 pm to 2:45 pm	Existing	(2a) by 2:30 pm to HKSCC (for certain IP related transactions only) (2b) by 12:45 pm for return forms to HKICL (for all rejected items)^	Exclude from the Interbank Bulk Settlement Run
(3) CCASS Participant Items for same day settlement, including <ul style="list-style-type: none"> Continuous Net Settlement (CNS) trades, Isolated Trades (IT), Settlement Instruction (SI), cash collateral and nominee-related monies (for intermediaries) with good funds received by HKSCC 	(3) Evening Settlement Run 5:50 pm to 6:00 pm #	New	(3a) <u>Primary input window:</u> by 5:45 pm for all items (3b) <u>Secondary input window:</u> by 8:00 pm for CNS trade payment and cash collateral to HKSCC	Exclude from the Interbank Bulk Settlement Run Designated Banks have paid the rejected amounts in the 5:50 pm Run and HKSCC shall return the amounts to Designated Banks during the Morning Settlement Run on T+3 (value T+2)

* The Morning Settlement Run will be deferred to 10:00 am – 10:30 am in case there are rejected items.

The Evening Settlement Run will be deferred to 6:00 pm – 6:15 pm in case there are rejected items.

^ Subject to change based on further discussions with HKICL / HKAB / Designated Banks

