

Hong Kong Securities Clearing Company Limited

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

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)

Guide to Eligibility and Admission of Securities to the Central Clearing and Settlement System (C C A S S)

中央結算及交收系統
(中央結算系統)

接納證券的準則及有關接納程序的指引



Hong Kong Exchanges and Clearing Limited

香港交易及結算所有限公司

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1. INTRODUCTION

The Central Clearing and Settlement System (CCASS) started its operation in 1992. It is an electronic book-entry clearing and settlement system for transactions of securities listed or admitted to trading on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

CCASS is established and operated by Hong Kong Securities Clearing Company Limited (“HKSCC”) which became a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited (“HKEX”) pursuant to the repealed Exchanges and Clearing Houses (Merger) Ordinance (Cap. 555) in March 2000. HKSCC is deemed to have been recognized as a clearing house under section 37(1) of the Securities and Futures Ordinance (Cap. 571). HKSCC provides a full range of securities clearing and settlement, electronic instructions for money settlement, depository and common nominees services and will accept securities listed or admitted to trading on the Stock Exchange as eligible for deposit, clearing and settlement within CCASS only if the issuers comply with the securities eligibility requirements of HKSCC.

CCASS operation is based on the immobilisation of share certificates in CCASS depository. Share certificates of eligible securities, except for the Foreign Securities and China Connect Securities (as defined below), deposited by CCASS participants, or by the issuers (or their agents) direct when issued, for custody or settlement are kept at CCASS depository in the name of HKSCC Nominees Limited for credit into CCASS participants’ stock accounts. Share settlement by electronic book-entry without physical movement of share certificates has substantially increased the efficiency in post-trade securities processing and reduced the costs and risk associated with physical settlement.

There are six categories of CCASS participants - clearing, custodian, stock lender, stock pledgee, clearing agency and investor. Participants (other than investor participants) are connected to CCASS via dedicated data communication links through the use of CCASS terminal(s) for direct access to CCASS services. Investor participants are not entitled to install CCASS terminals but may access CCASS via the CCASS Phone System, CCASS Internet System or at the Customer Service Centre. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures (“HKSCC Rules”) in effect from time to time.

This brochure provides general introduction and information on the criteria of becoming CCASS Eligible Securities (as defined below), and the related general procedures and necessary arrangements. In case of differences arising between this document and the HKSCC Rules, the HKSCC Rules shall prevail.

2. DEFINITIONS

When used herein, the following expressions shall, unless the context otherwise requires, bear the following meanings :

“CCASS”	means the Central Clearing and Settlement System established & operated by HKSCC
“China Connect Securities”	has the same meaning as defined in the HKSCC Rules
“CMU”	means the Central Moneymarkets Unit of the Hong Kong Monetary Authority
“Common Nominee”	means HKSCC Nominees Limited
“Day(s)”	means any business day(s) (excluding Saturdays, Sundays & public holidays) in Hong Kong
“Eligible Security”	means an issue of securities including but not limited to Foreign Securities, China Connect Securities, debt securities, Exchange Fund Notes, specified instruments, CMU instruments and units which is from time to time and for the time being accepted as eligible by HKSCC for deposit, clearing and settlement in CCASS and (a) includes any particular security or securities of such an issue and (b) includes, upon their issue, all new issue shares so accepted as eligible
“FINI”	means “Fast Interface for New Issuance” , which is the digital platform operated by HKSCC for all new issues
“FINI User Guide”	means the "FINI User Guide" of HKSCC in relation to FINI, containing information on the use of FINI by FINI users, as from time to time in force
“Foreign Securities”	means the securities which are either listed both on the Stock Exchange and on an overseas exchange (including NASDAQ or AMEX) or listed on an overseas exchange and admitted to trading on the Stock Exchange, which may be held in an account in the name of HKSCC with its appointed depository in respect of which HKSCC provides settlement and clearing services. For the avoidance of doubt, Foreign Securities do not include China Connect Securities
“HKSCC”	means Hong Kong Securities Clearing Company Limited
“IPO”	means the initial public offering of securities in Hong Kong

“Issuer”	means any company or other legal person, any of whose securities are the subject of an application for listing or trading on the Stock Exchange or are listed or admitted to trading on the Stock Exchange and where applicable, includes any agents (including but not limited to any sponsors, registrar & legal advisors) purportedly acting on behalf of the issuer and any agents of such agents
“Listing Rules of the Stock Exchange”	means the "Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited", as from time to time in force
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited

3. ELIGIBLE SECURITIES

At present, securities accepted in CCASS as Eligible Securities are securities listed or admitted to trading on the Stock Exchange. These include ordinary shares, preference shares, depositary receipts, registered warrants, structured products, provisional allotment letters relating to nil-paid rights, debt securities, Exchange Fund Notes, Government Bonds, CMU Instruments or Specified Instruments, Foreign Securities, China Connect Securities and units. In general, an Eligible Security of HKSCC is a security which is accepted by HKSCC as eligible for deposit, clearing and settlement in CCASS. However, depending on the specific nature of the Eligible Security, the extent of services provided by HKSCC to CCASS participants in respect of different types of Eligible Security may vary.

Eligibility is assessed on various factors. Issuers are required to continuously fulfill and comply with the securities eligibility criteria as stipulated by HKSCC from time to time for their securities to remain as Eligible Securities.

At present, HKSCC does not charge processing fee for application for a security (except for unlisted structured products) to be accepted as Eligible Security in CCASS. However, should there be any request from the Issuer for replacement of share certificates that have been deposited into CCASS depository, HKSCC may charge a handling fee at its discretion.

4. ADMISSION CRITERIA

Issuers must comply with the General Rules of HKSCC in effect from time to time. When considering the eligibility of a security for acceptance in CCASS, HKSCC takes into account the type of security, its trading currency, fungibility, transferability as well as other operational issues.

4.1 GENERAL REQUIREMENTS

4.1.1 Types of securities

Ordinary shares, preference shares, depositary receipts, registered warrants, structured products, provisional allotment letters relating to nil-paid rights, debt securities, Exchange Fund Notes, Government Bonds, CMU Instruments or Specified Instruments, Foreign Securities, China Connect Securities and units listed or admitted to trading on the Stock Exchange are eligible for acceptance in CCASS.

Listing Rules of the Stock Exchange provide that Issuers of equity securities are required to make all necessary arrangements for their securities to be admitted to CCASS from the day dealing commences.

4.1.2 Trading currency of securities

Eligible Securities must be traded and settled in an eligible currency which is presently in Hong Kong dollar, the United States dollar or Renminbi.

4.1.3 Fungibility

Eligible Securities deposited in CCASS are treated as fungible with Eligible Securities of the same issue. HKSCC does not earmark specific Eligible Securities as belonging to a particular CCASS participant or transaction settled or to be settled in CCASS.

4.1.4 Transferability

Eligible Securities accepted in CCASS must be freely transferable or deliverable.

Eligible Securities deposited into CCASS, except provisional allotment letters of rights issues, are re-registered into the name of the Common Nominee.

HKSCC deems securities not to be freely transferable or deliverable if registration of their transfer is subject to restrictions. These may include shareholding percentage limitations or nationality restrictions as imposed by the applicable law, constitutional documents of the Issuer and/ or legend specified on the securities certificates.

Issuers are advised to consult their legal advisers to determine whether their securities are subject to any transferability or shareholding limitations.

4.2 OPERATIONAL REQUIREMENTS

As Eligible Securities deposited in CCASS are registered in the name of the Common Nominee, Issuers are required to comply with a number of operational requirements before their securities can be accepted as eligible for deposit, clearing and settlement in CCASS.

4.2.1 Form of securities

Eligible Securities have to be issued in registered form. Moreover, the number of shares represented by each share certificate or the number of warrants/ amount of exercise monies represented by each warrant certificate has to be stated clearly in the certificates in both words and numbers.

4.2.2 Machine imprinted signatures

Issuers are advised to include a provision in their constitutional documents to validate mechanically executed share and/ or warrant transfer forms, or to permit the Common Nominee to use machine imprinted signatures to execute transfers.

4.2.3 Appointment of multiple corporate representatives/ proxies

Issuers are requested to include in their constitutional documents provisions permitting the Common Nominee to appoint more than one corporate representative/ proxy to attend, vote and act at general meetings as if they were individual members, including the right of speech and the right to vote on show of hands and on poll.

Issuers are advised to exempt the Common Nominee, as the registered holder of all Eligible Securities deposited into CCASS, from certain requirements they may have imposed on their corporate members. These exemptions include a requirement for corporate members to submit a certified list of authorised officers, or notarised authorisation, or to produce share/ warrant/ debt securities certificates when a corporate representative/ proxy is appointed to attend and vote at a general meeting.

4.2.4 Last share registration date

Issuers are required to fix a last share registration date to determine shareholders' and/ or warrant holders' voting rights for each shareholders' and/ or warrant holders' meeting. Such last share registration date must be at least four business days before the meeting date and clearly stated in the notice of meeting to shareholders and/ or warrant holders. This will enable HKSCC and/ or the Common Nominee to communicate with CCASS participants for the purpose of recognizing their rights to take part in corporate actions.

4.2.5 Exemption for disclosure of beneficial owners

Issuers are required to exempt the Common Nominee from any requirement, contained in their constitutional documents, to declare the nationality or identity of the beneficial owner of the Eligible Securities when executing transfers or making subscriptions.

HKSCC treats depositing CCASS participants as principals and does not recognise the interests of the participants' clients in the Eligible Securities deposited into CCASS.

4.2.6 Shareholdings in banking institutions or Stored Value Facility (SVF) Licensee

There are statutory limitations on shareholdings in banking institutions and Stored Value Facility (SVF) Licensee. HKSCC will apply to the Hong Kong authorities, and if necessary overseas authorities, for waiver from these limitations.

Issuers are required to exempt the Common Nominee from any requirement, contained in their constitutional documents, to provide any evidence of such waiver.

4.2.7 Entitlement in form of new issues

HKSCC should be notified in advance of any bonus issue or subsequent issue of securities ("the new securities"), especially the issue of the company or of other companies relating to Eligible Securities. Issuers should make sure that the new securities would meet HKSCC's eligibility requirements in order for it to become Eligible Securities.

If the new securities are not accepted as Eligible Securities, HKSCC will request CCASS participants to withdraw the new securities from CCASS depository on or before a specified date. After which, any such new securities not withdrawn would be sent by courier to CCASS participants at their own costs. As such, Issuers should make CCASS participants and investors fully aware of subsequent arrangement for the new securities.

4.2.8 Latest time for subscription

Trades executed on the Stock Exchange are required to be settled on the second settlement day following the trade i.e. on T+2. Issuers of Eligible Securities with subscription period/ expiry date/ maturity date (e.g. warrants, debt securities or provisional allotment letters) should ensure investors would have sufficient time to exercise their subscription rights after the last settlement day.

Therefore the last trading day of Eligible Securities subject to a subscription period/ expiry date/ maturity date should be fixed on a date which is at least three (clear) settlement days before the last subscription or registration date, as the case may be.

4.2.9 Denomination of certificates

In case of any subsequent issues of Eligible Securities (e.g. bonus share issue or placing), CCASS depository can request for any denomination in respect of the certificates registered in the name of the Common Nominee for deposit into the CCASS depository.

4.2.10 Notification on defective/ lost certificates

Issuers are required to procure their registrars to notify HKSCC immediately details of certificates subject to transferability restrictions by order of the Court/ tribunal/ regulatory authority or certificates reported lost, cancelled and the new certificates issued and forward to HKSCC a copy of the relevant notification which the Issuers have submitted to the Stock Exchange or other authority.

In case of refusal to register certificates for reason of dispute in title, Issuers should procure their registrars to notify HKSCC immediately including details of the certificates.

Issuers should procure the registrars to follow the lost certificate replacement procedures as set out in the relevant subsection(s) of Sections 162-169 of the Companies Ordinance of the laws of Hong Kong in respect of application for replacement of lost certificates.

4.2.11 Corporate communications

Once the securities are admitted to CCASS, Issuers are required to send or otherwise make available the following corporate communications to the holders of the securities by completing and submitting the prescribed electronic forms through HKEx-EPS (as defined in the Listing Rules of the Stock Exchange) , for publication on the official website of Hong Kong Exchanges and Clearing Limited, including electronic forms for:

- (a) benefit entitlements with regard to bonus issue, cash dividend and cash dividend with scrip/ currency option;
- (b) meeting of the holders of the securities; and
- (c) such other corporate communications as HKSCC may prescribe from time to time.

The electronic forms shall be submitted through HKEx-EPS in such time and manner as HKSCC may from time to time prescribe. For the corporate communications under clauses 4.2.11(a) and (b), the electronic forms shall be submitted through HKEx-EPS on the same day when the declaration of benefit entitlements or the notice of meeting (as the case may be) is published by the Issuer.

4.2.12 Additional requirements for warrants

Save for the normal warrant exercise arrangement stipulated in the listing document or the equivalent document(s), Issuers are required to procure their registrars to accept warrant certificates delivered by the Common Nominee for conversion into the underlying securities during the last 10 days (or the period imposed for registration by the warrant registrar of the Issuer) immediately prior and up to the expiry date.

Issuers are required to include in the listing document and/ or the equivalent document(s) an additional clause regarding any extra cost Issuers wish to charge to effect registration and/ or for the purpose of conversion immediately prior and up to the expiry date, such extra cost shall be borne by CCASS participants/ persons who wish to process warrant conversion during the aforesaid period.

Cheques from HKSCC or the Common Nominee, shall be accepted for payment of exercise monies.

Issuers are required to comply with such other eligibility requirements which are considered relevant and necessary by HKSCC in view of the type, nature, exercise mechanism or related arrangement of warrant issues.

4.2.13 Additional requirements for debt securities

Save for the normal registration arrangement stipulated in the listing document or the equivalent document(s), Issuers are required to arrange with their appointed fiscal and/ or paying agents and/ or transfer agents to accept debt securities certificates delivered by the Common Nominee for registration during the period imposed for registration immediately prior and up to the maturity date to facilitate the Common Nominee to submit the debt securities certificates for interest payment and/ or principal redemption on behalf of CCASS participants.

Issuers are required to include in the listing document and/ or the equivalent document(s) an additional clause regarding any extra cost Issuers wish to charge to effect registration, to facilitate interest payment, principal redemption and/ or conversion immediately prior and up to the maturity date, such extra cost to be borne by CCASS participants/ persons who wish to receive interest payment, effect principal redemption and/ or conversion during the aforesaid period.

Issuers are required to fix the last registration date on a date which is at least three business days before each interest payment date.

In respect of fixed rate debt securities, Issuers and/ or the appointed agents are required to provide interest table(s) to HKSCC at least seven business days before issue of any interest table(s) and such interest table(s) should be in electronic format or such other forms as acceptable by HKSCC with the information including daily accrued interest, interest calculation method, interest rate, last registration date and interest payment date for each interest period.

In respect of floating rate debt securities, Issuers and/ or the appointed agents are required to

provide interest table(s) to HKSCC immediately after the applicable interest rate is fixed and such interest table(s) should be in electronic format or such other forms as acceptable by HKSCC with the information including daily accrued interest, interest calculation method, interest rate, last registration date and interest payment date for each interest period.

Issuers and/ or the appointed agents are required to immediately notify HKSCC of any subsequent changes that would affect interest calculation and/ or payments such as changes in last registration date, interest payment date, redemption date, conversion date, interest calculation method etc. Issuers or their appointed agents must notify the market and HKSCC immediately of such changes, if any, due to typhoon and/ or black rainstorm after the lowering of the typhoon or black rainstorm signal and in any event no later than noon on the following business day.

4.2.14 Provision of ISIN

Issuers are required to contact the corresponding numbering agency according to the Issuer's place of incorporation to obtain an International Securities Identification Number ("ISIN") for the securities to be issued and allotted as a result of a new listing and inform HKSCC of the ISIN at least three business days before commencement of dealings of such securities; and to the extent there is any subsequent change to the ISIN (whether or not as a result of corporate action of the Company), the Issuer will inform HKSCC of the new ISIN as soon as practicable after the change.

4.2.15 Listing Document Issuance

Issuers are required to submit the listing document (as defined in the Listing Rules of the Stock Exchange) of a new listing through HKEx-EPS for publication on the official website of Hong Kong Exchanges and Clearing Limited at or before 8:30 am on a business day at least three business days before commencement of dealings of the Company's securities.

4.3 CONTINUED OBLIGATIONS OF ISSUERS

Issuers should notify HKSCC any subsequent changes of name, registered office and constitutional documents, any future issuance of securities and activities of any nature that may affect the corporate structure or likely to have an impact on the shareholding and transferability of the Eligible Securities.

Issuers should keep HKSCC informed of any subsequent corporate activities and should consult HKSCC prior to release and bulk-print of any announcements and/ or documents relating to such corporate activities.

Issuers should ensure that any future issuance of securities would be in full compliance with the eligibility requirements of HKSCC in effect from time to time.

4.4 RIGHTS TO IMPOSE OTHER ELIGIBILITY REQUIREMENTS AND TO DISCONTINUE ELIGIBILITY

Eligibility criteria may be revised and varied by HKSCC from time to time. HKSCC also has the power to impose additional eligibility requirements on Eligible Securities accepted or to be accepted in CCASS when deemed necessary.

Failure to comply with the eligibility criteria in effect by Issuers may lead to the refusal of acceptance of securities in CCASS or the discontinuation of eligibility for securities accepted in CCASS.

5. ADMISSION PROCEDURES & NECESSARY ARRANGEMENTS

There are several common ways by which Issuers may list their securities on the Stock Exchange including (1) IPO; (2) Listing by introduction; (3) Placing; (4) Reverse Takeovers / trading resumption offerings; and (5) Transfer of listing from GEM to the Main Board.

HKSCC has established corresponding securities admission procedures for different ways of listing in order to facilitate the admission of the new securities to CCASS. Following the introduction of FINI, the settlement process of such new listing as prescribed in the FINI User Guide shall be conducted on FINI.

Unless otherwise determined by HKSCC, Issuers should procure its agents which are FINI users to adhere to the time limits set out in the relevant procedures in the FINI User Guide, failure of which may result in delay or even refusal of admission of the securities to CCASS. HKSCC will not be responsible to any person for any losses, damages or liabilities whatsoever arising as a result of any such delay or refusal of admission of the securities to CCASS.

Please refer to the “User Guide for Sponsors, Intermediaries and Legal Advisers” for details of FINI.