HONG KONG INTERBANK CLEARING LIMITED
香港銀行同業結算有限公司

# US Dollar Clearing House Rules

# Rainstorm Procedures

# Typhoon Procedures

# (Redacted Version)

**Date : October 2026**

This redacted version of the US Dollar Clearing House Rules and Rainstorm Procedures and Typhoon Procedures is a partially edited version of the main text of these documents and is made available publicly for general information purposes only. It has been edited to remove information that might compromise the security of the system if made available to the general public. For operational purposes, Members of the Clearing House for US Dollar clearing should refer to the full text of the US Dollar Clearing House Rules and Rainstorm Procedures and Typhoon Procedures. Although due care has been taken to ensure that the information provided in this document is accurate and up-to-date, Hong Kong Interbank Clearing Limited does not warrant that all, or any part of, the information provided in it is up-to-date and accurate in all respects.

**Amendment Summary**

| **Amendment** | **Effective Date** |
|---|---|
| Revised the following provisions for the implementation of dual network channel in CHATS:<br>• Rule 1.6 Definitions<br>  ➢ "Clearing House Computer"<br>  ➢ "eMBT"<br>  ➢ "iMBT"<br>  ➢ "Special Posting"<br>• Rule 6.1.1<br>• Rule 6.1.2<br>• Rule 6.2<br>• Rule 6.2.1<br>• Rule 6.2.6<br>• Rule 6.7.1<br>• Rule 6.7.2<br>• Rule 6.7.9 (b)<br>• Rule 6.7.9 (c)<br>• Rule 6.9.1<br>• Rule 6.11.1<br>• Rainstorm Procedures paragraph 3(b)<br>• Typhoon Procedures paragraph 4(b) | 16 November 2026 |

# TABLE OF CONTENT

**PART I** **INTRODUCTION** ..... **1**

**PART II** **CLEARING HOUSE, CLEARING FACILITIES AND HKICL** ..... **14**

**PART III** **SETTLEMENT** ..... **20**

**PART IV** **MEMBERS** ..... **22**

**PART V** **REFUSAL/SUSPENSION OF CLEARING FACILITIES** ..... **26**

**PART VI** **CHATS (OTHER THAN THE PROCESSING OF FUNDS TRANSFERS IN RESPECT OF ARTICLES)** ..... **28**

**PART VII** **THE PROCESSING OF FUNDS TRANSFERS IN RESPECT OF ARTICLES** ..... **47**

**PART VIII** **MISCELLANEOUS** ..... **58**

**SCHEDULE I** **DEFAULT ARRANGEMENTS FOR ARTICLES (OTHER THAN OTC ITEMS AND CREDIT CARD ITEMS)** ..... **60**

**SCHEDULE II** **CHATS, CCASS, CCPMP CUT-OFF AND END OF DAY CUT-OFF** ..... **64**

**SCHEDULE III** **CLEARING & SETTLEMENT OF ARTICLES** ..... **70**

**SCHEDULE IV** **INTEREST ADJUSTMENT SCHEME** ..... **77**

**RAINSTORM PROCEDURES** ..... **78**

**TYPHOON PROCEDURES** ..... **79**

# Part I Introduction

1.1 Expressions used herein are defined below.

1.2 The Clearing House shall be the medium and the location available to Members for the exchange, sorting and balancing of cheques in US dollars and other negotiable instruments in US dollars drawn payable on Members who are banks, and SZ Cheques in US dollars drawn payable on SZ Banks, and for the processing of direct debits and credits, funds transfers, e-Cheques and other banking transactions in each case in US dollars through CHATS and which (i) in respect of debits and credits and funds transfers are presented by or on behalf of Members or by SI; (ii) in respect of e-Cheques are (a) presented by Members or collected on behalf of Members from e-Cheque Drop Box Users through the e-Cheque Portal; or (b) presented in Shenzhen, delivered to HKICL by the SZ Agent and collected by HKICL on behalf of the SZ Agent acting on behalf of the SZ Settlement Centre and (iii) in respect of other banking transactions are presented by or on behalf of Members.

1.3 SI has been appointed by MA to provide clearing and settlement services in relation to the Clearing House, and has appointed HKICL as its agent to carry out the clearing services.

1.4 These Rules have been made by HKICL with the approval of SI and MA.

1.5 HKICL may from time to time amend these Rules as it may consider necessary or desirable with the prior approval of SI and MA. Any amendments made thereto shall become effective from the effective date(s) as stated in HKICL's prior notice to Members and the amended version will be posted onto HKICL's website www.hkicl.com.hk (which shall specify the effective date(s) for the amendments according to the notice).

**1.6 Definitions**

**"Additional Settlement Account"** means an account opened and maintained by a Direct Participant with SI as specified in Rule 3.1.1 which (a) is in addition to the Settlement Account; (b) has the characteristics set out in the Operating Procedures; (c) complies with the provisions contained in the Operating Procedures; and (d) is for the purpose of making or receiving certain types of payment identified as being the account to or from which the payment is made by the code in the payment instruction for that payment.

**"Articles"** means Paper Cheques, ECG items and Credit Card Items.

**"Association"** means The Hong Kong Association of Banks.

**"Banking Ordinance"** means the Banking Ordinance (Cap. 155 of the Laws of Hong Kong).

**"bank"** means an institution which has been granted an authorization under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong) to carry on banking business and such authorization has not been revoked.

**"BKANVM"** means the bank account number validation module and related information provided to HKICL by Members subscribing to the e-Cheque Drop Box Service to facilitate the validation of bank account numbers registered in the e-Cheque Drop Box Service in accordance with the Operating Procedures.

**"BKANVM API"** means the application programming interface which HKICL distributes to Members subscribing to the e-Cheque Drop Box Service from time to time to facilitate the development of BKANVM.

**"Bulk Clearing Commitment"** means the obligation of a Direct Participant to pay a Settlement Amount in a Bulk Clearing Settlement Run as provided in these Clearing House Rules.

**"Bulk Clearing Settlement Run"** means a settlement run effected through CHATS for the settlement of Articles on a bulk clearing and/or settlement basis as provided in these Clearing House Rules.

**"Card Agent"** means a Direct Participant who is appointed by a Credit Card Company to (a) act as its agent bank to present the settlement file of its Credit Card Items to the Clearing House for processing; and/or (b) act as a

settlement agent for the Credit Card Company as the case may be.

**"CCASS"** means the Central Clearing and Settlement System operated by HKSCC (or any successor system operated by any person).

**"CCASS Commencement"** means the time notified by HKSCC to HKICL as being the time on each Working Day at which CCASS is operational.

**"CCASS End of Day Cut-off"** means the earlier of (i) the time notified by HKSCC to HKICL as being the time on each Working Day after which CCASS will reject all incoming validation requests from the Clearing House Computer and perform other actions in relation to CCASS End of Day Cut-off Payment in accordance with Schedule II Part II and (ii) CHATS Customer Cut-off.

**"CCASS End of Day Cut-off Payment"** means a CCASS Payment Instruction with such classification as determined by HKSCC and notified to HKICL from time to time and effected through CHATS between CCASS Commencement and CCASS End of Day Cut-off.

**"CCASS Interim Cut-off"** means the earlier of (i) the time notified by HKSCC to HKICL as being the time on each Working Day at which CCASS will reject all incoming validation requests from the Clearing House Computer and perform other actions in relation to CCASS Interim Cut-off Payment in accordance with Schedule II Part II and (ii) CHATS Customer Cut-off.

**"CCASS Interim Cut-off Payment"** means a CCASS Payment Instruction with such classification as determined by HKSCC and notified to HKICL from time to time and effected through CHATS between CCASS Commencement and CCASS Interim Cut-off.

**"CCASS Investor Items"** means ECG items for clearing generated by CCASS in respect of investor account holders and other money settlement instructions as may be determined by HKSCC from time to time.

**"CCASS Items"** means CCASS Investor Items, CCASS Participant Items and SCCASS Participant Items.

**"CCASS Participant Items"** means ECG items for clearing generated by CCASS other than CCASS Investor Items and SCCASS Participant Items, but including amendments to CCASS Participant Items submitted by HKSCC to HKICL after the initial clearing process in accordance with Schedule III.

**"CCASS Payment Instruction"** means (i) an instruction effected through CHATS for settlement of a payment against the transfer by CCASS of securities held in CCASS in US dollars, or (ii) any other payment instruction relating to a CCASS transaction, which is to be settled in accordance with Rule 6.3.3. In these Clearing House Rules, a CCASS Payment Instruction can be a CCASS Interim Cut-off Payment or a CCASS End of Day Cut-off Payment.

**"CCP Instruction"** means a payment instruction which is to be settled only if CCPMP confirms that a corresponding payment in another relevant currency or a corresponding debt security transaction (**"Corresponding Transaction"**) from the Receiving Member of that payment instruction to the Sending Member will be settled at the same time and includes a CCP Instruction Value Today and a CCP Instruction Value Forward Day. For the avoidance of doubt, CCP Instruction does not include a CCPMPNet Payment Instruction and a CCPMPNet Optimiser Payment Instruction.

**"CCP Instruction Value Forward Day"** means a CCP Instruction to effect a payment for value through CHATS as of the Supported Forward Day referred to in the payment instruction.

**"CCP Instruction Value Today"** means a CCP Instruction to effect a payment for value through CHATS as of the Working Day on which the instruction is received by the Clearing House Computer. For the avoidance of doubt, if the instruction is received between a CCPMP Cut-off and the following CCPMP Commencement, it will be deemed to be received on the Working Day of that CCPMP Commencement and value today shall be construed accordingly.

**"CCPMP"** means the Cross Currency Payment Matching Processor which links up the Clearing House Computer, and provides a (i) payment versus payment ("PvP") facility for foreign exchange transactions, or (ii) delivery

versus payment ("DvP") facility for debt security transactions where the delivery of debt securities is effected outside Hong Kong.

**"CCPMP Commencement"** means a time determined from time to time by SI by which CCPMP will again be re-opened for processing CCP Instructions and CCPMPNet Payment Instructions on the Working Day immediately following CCPMP Cut-off.

**"CCPMP Cut-off"** means the time on a Working Day specified as such in Schedule II Part III as varied pursuant to Rule 6.9.1.

**"CCPMPNet Payment Instruction"** means a payment instruction input by a Direct Participant to the Clearing House Computer for the effecting of a funds transfer through CHATS which is to be settled in the CCPMPNet Settlement Run and includes a CCPMPNet Payment Instruction Value Today and a CCPMPNet Payment Instruction Value Forward Day.

**"CCPMPNet Payment Instruction Value Forward Day"** means a CCPMPNet Payment Instruction to effect a payment for value through CHATS as of the Supported Forward Day referred to in the payment instruction.

**"CCPMPNet Payment Instruction Value Today"** means a CCPMPNet Payment Instruction to effect a payment for value through CHATS as of the day of the CCPMP Commencement on the Working Day on which the instruction is received by the Clearing House Computer. For the avoidance of doubt and in addition to Rule 6.3.10.1, if the instruction is received between a CCPMP Cut-off and the following CCPMP Commencement, it will be deemed to be received on the Working Day of that CCPMP Commencement and value today shall be construed accordingly.

**"CCPMPNet Optimiser Payment Instruction"** means a payment instruction input by a Direct Participant to the Clearing House Computer which is to be settled in accordance with Rule 6.3.11 and includes a CCPMPNet Optimiser Payment Instruction Value Today and a CCPMPNet Optimiser Payment Instruction Value Forward Day.

**"CCPMPNet Optimiser Payment Instruction Value Forward Day"** means a CCPMPNet Optimiser Payment Instruction to effect a payment for value as of the Supported Forward Day referred to in the payment instruction.

**"CCPMPNet Optimiser Payment Instruction Value Today"** means a CCPMPNet Optimiser Payment Instruction to effect a payment for value as of the day of the CHATS Commencement on the Working Day on which the instruction is received by the Clearing House Computer. For the avoidance of doubt and in addition to Rule 6.3.11.1, if the instruction is received between a CHATS Value Date Cut-off and the following CHATS Commencement, it will be deemed to be received on the Working Day of that CHATS Commencement and value today shall be construed accordingly.

**"CCPMPNet Settlement Run"** means a settlement run which is (i) effected through CHATS for the settlement of CCPMPNet Payment Instructions and CCPMPNet Optimiser Payment Instructions on a net settlement basis as provided in these Clearing House Rules, and (ii) effected only if the Clearing House Computer confirms that the corresponding CCPMPNet Settlement Runs ("Corresponding CCPMPNet Settlement Runs") in all other relevant currencies will be effected at the same time.

**"CHATS"** means the computer based Clearing House Automated Transfer System owned and operated in Hong Kong by HKICL for (i) the automated electronic processing and settlement of funds transfers including credit and debit transfers effected by SI directly in a Direct Participant's Designated Settlement Account as described in Rules 6.3.5 to 6.3.8; (ii) the automated electronic processing and settlement of funds transfers by virtue of Special Posting; and (iii) the processing and settlement of inter-Member funds in respect of the clearing and settlement of Articles.

**"CHATS Bank Cut-off"** means the time on a Working Day specified as such in Schedule II Part I paragraph 1 as varied pursuant to Rule 6.9.1.

**"CHATS Commencement"** means a time determined from time to time by HKICL by which the Clearing House Computer will again be re-opened for the settlement of CHATS Transactions (other than CHATS Transactions in respect of Articles) involving funds transfers on the Working Day immediately following CHATS Value Date

Cut-off.

**"CHATS Customer Cut-off"** means the time on a Working Day specified as such in Schedule II Part I paragraph 1 as varied pursuant to Rule 6.9.1.

**"CHATS Payment Instruction"** means a CHATS Payment Instruction Value Today or a CHATS Payment Instruction Value Forward Day.

**"CHATS Payment Instruction Value Forward Day"** means an instruction including Mainland FX Payment and Regional CHATS Payment (other than an instruction in respect of Articles, a CCASS Payment Instruction, CCP Instruction, CCPMPNet Payment Instruction, CCPMPNet Optimiser Payment Instruction and OTC Clear Payment Instruction) input by a Direct Participant to the Clearing House Computer for the effecting of a funds transfer through CHATS for value as of the Supported Forward Day referred to in the payment instruction.

**"CHATS Payment Instruction Value Today"** means an instruction including Mainland FX Payment and Regional CHATS Payment (other than an instruction in respect of Articles, a CCASS Payment Instruction, CCP Instruction, CCPMPNet Payment Instruction, CCPMPNet Optimiser Payment Instruction and OTC Clear Payment Instruction) input by a Direct Participant or generated or by virtue of a Special Posting to the Clearing House Computer for the effecting of a funds transfer through CHATS for value as of the Working Day on which the instruction is received by the Clearing House Computer. For the avoidance of doubt, if the instruction is received between a CHATS Value Date Cut-off and the following CHATS Commencement, it will be deemed to be received on the Working Day on which that CHATS Commencement falls and value today shall be construed accordingly.

**"CHATS Transactions"** means transactions involving funds transfers effected through CHATS including, for the avoidance of doubt (but without limitation), Regional CHATS Payments and the general administrative or system messages transmitted through CHATS.

**"CHATS Value Date Cut-off"** means the time on a Working Day specified as such in Schedule II Part I paragraph 1 as varied pursuant to Rule 6.9.1.

**"China"** means the Mainland of the People's Republic of China excluding for the purposes of these Clearing House Rules the Hong Kong Special Administrative Region and the Macao Special Administrative Region.

**"Clearing Facilities"** means all premises, personnel, machinery, equipment, facilities, software, operational and processing systems, computer systems including CHATS, arrangements and procedures for or in relation to the services provided by and the operation of the Clearing House.

**"Clearing House"** means the medium and the location provided, operated and managed by HKICL which is available to Members for the exchange, sorting and balancing of cheques in US dollars and other negotiable instruments in US dollars drawn on Members who are banks, and SZ Cheques , and for the processing of direct debits and credits, funds transfers, e-Cheques and other banking transactions in each case in US dollars and which (i) in respect of debits and credits and funds transfers are presented by or on behalf of Members or by SI; (ii) in respect of e-Cheques are (a) presented by Members or collected on behalf of Members from e-Cheque Drop Box Users through the e-Cheque Portal; or (b) presented in Shenzhen, delivered to HKICL by the SZ Agent and collected by HKICL on behalf of the SZ Agent acting on behalf of the SZ Settlement Centre and (iii) in respect of other banking transactions are presented by or on behalf of Members.

**"Clearing House Computer"** means (i) the computer system of the Clearing House (a) to which Direct Participants may connect to effect CHATS Transactions and other transactions through the Clearing House as the case may be via the SWIFT network or the HKICL network, (b) to which Direct Participants may connect through the MBT in order to perform operational, administrative and monitoring functions related to CHATS as stipulated in the Operating Procedures, (c) to which OTC Clear connects its system in order to transmit OTC Clear Debit Requests for the generation of OTC Clear Payment Instructions through the Clearing House and (d) to which other computer systems may connect in order to effect CHATS Transactions and other transactions through the Clearing House as the case may be; and (ii) other relevant computer system(s) in respect of the Clearing House.

**"Clearing House Rules"** or **"Rules"** means these US dollar Clearing House Rules as amended from time to time by HKICL.

**"CLG Items"** means Paper Cheques and CCASS Investor Items.

**"Credit Card Company"** means UnionPay International Co., Ltd or any other Credit Card Companies permitted by SI and MA and as notified by HKICL to Members from time to time, and "Credit Card Companies" means UnionPay International Co., Ltd and any other Credit Card Companies permitted by SI and MA and as notified by HKICL to Members from time to time.

**"Credit Card Items"** means payment instructions for net settlement regarding transactions processed by a Credit Card Company for its members, generated by a Credit Card Company's Card Agent.

**"Credit Card Member"** means a member of a Credit Card Company which is a Direct Participant, Indirect Participant, ICU or Indirect-participating Card Member.

**"crisis prevention measure"** has the meaning given to that term in section 86 of the FIRO.

**"Data Subject(s)"** has the meaning given to that term in the PDPO.

**"Day D"** means a day on which an Article is presented to or deemed to be presented to and accepted by HKICL for clearing and/or settlement as provided in these Clearing House Rules.

**"Day D+1"** means the Working Day immediately following Day D.

**"Default Arrangement"** means the default arrangement for Bulk Clearing Settlement Runs of Articles (other than OTC Items and Credit Card Items) set out in Schedule I as amended from time to time.

**"default event provision"** has the meaning given to that term in section 86 of the FIRO.

**"Delayed Payment"** means those funds transferred through CHATS (other than those funds in respect of Articles) which are credited to an account on a value date later than that specified in the relevant transfer or payment details.

**"Designated Sanction Lists"** means the lists issued pursuant to such sanctions and anti-money laundering laws and regulations or by such persons (including SI, any governmental, regulatory or supervisory authority or any supranational organization) as notified by SI to Members and HKICL from time to time.

**"Designated Settlement Account"** means in respect of any payment (a) the Settlement Account; or (b) the Additional Settlement Account which in either case is identified as being the account to or from which the payment is made by the code in the payment instruction for that payment.

**"Digital Signature"** has the meaning given to it by section 2(1) of the Electronic Transactions Ordinance (Cap. 553 of the Laws of Hong Kong).

**"Direct Credit Instruction"** means an instruction effected in real time by SI to credit a Direct Participant's Designated Settlement Account through CHATS to settle an obligation of SI to that Direct Participant and includes a Direct Credit Instruction Value Today and a Direct Credit Instruction Value Forward Day.

**"Direct Credit Instruction Value Forward Day"** means a Direct Credit Instruction to effect a payment for value through CHATS as of the Supported Forward Day referred to in the Direct Credit Instruction.

**"Direct Credit Instruction Value Today"** means a Direct Credit Instruction input or generated after CHATS Commencement and before End of Day Cut-off to effect a payment for value through CHATS as of the Working Day on which the instruction is received by the Clearing House Computer.

**"Direct Debit Instruction"** means an instruction effected in real time by SI to debit a Direct Participant's Designated Settlement Account through CHATS to settle an obligation of that Direct Participant to SI.

**"Direct Debit Instruction Value Forward Day"** means a Direct Debit Instruction to effect a payment for value through CHATS as of the Supported Forward Day referred to in the Direct Debit Instruction.

**"Direct Debit Instruction Value Today"** means a Direct Debit Instruction input or generated after CHATS Commencement and before End of Day Cut-off to effect a payment for value through CHATS as of the Working Day on which the instruction is received by the Clearing House Computer.

**"Direct Participant"** means a Member which maintains a Settlement Account with SI and "**its Direct Participant**" means, in relation to an Indirect Participant, ICU, TPU or Indirect-participating Card Member, a Direct Participant with respect to whom it is agreed with such Indirect Participant, ICU, TPU or Indirect-participating Card Member that such Direct Participant shall permit payments by or to such Indirect Participant, ICU, TPU or Indirect-participating Card Member to be settled through such Direct Participant's Designated Settlement Account.

**"ECG"** means the various types of electronic payments to be cleared and settled through CHATS on a bulk clearing basis as provided by these Clearing House Rules, including for the time being CCASS Items, OTC Items, E-bill Payments, Returned E-bill Payments, e-Cheques and Unpaid Articles in respect of e-Cheques (but excluding Credit Card Items).

**"Electronic Media"** means such electronic media for the delivery of information or images of items permitted by virtue of the Operating Procedures to be delivered to and/or collected from the Clearing House pursuant to these Clearing House Rules and, where the context admits, such format thereof as (in each case) may be specified from time to time in the Operating Procedures.

**"Electronic Record"** has the meaning given to it by section 2(1) of the Electronic Transactions Ordinance (Cap. 553 of the Laws of Hong Kong).

**"eMBT"** means the terminal system enabling connection to the Clearing House Computer via the SWIFT network, whereby a Direct Participant may gain access to such terminal system through terminals located within the premises of such Direct Participant. Access to the eMBT is for the purposes of a Direct Participant performing operational, administrative and monitoring functions related to CHATS as stipulated in the Operating Procedures.

**"End of Day Cut-off"** means the time during a Working Day after which the settlement of transactions including funds transfers initiated by SI shall cease and the related arrangements as set out in Schedule II, Part IV or as from time to time determined (and/or amended) by SI and MA.

**"E-bill Payments"** means electronic payments covering bill payments and charity donation payments which are cleared and settled on the same Working Day among Members referred to in Rule 7.6.4.

**"Extreme Conditions"** means the existence of extreme conditions as announced by the Government of the Hong Kong Special Administrative Region that arise from a super typhoon or other natural disaster of a substantial scale which caused serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions.

**"e-Cheque"** means a cheque, including a cashier's order, issued in the form of an Electronic Record with an image of the front and back of the cheque or cashier's order, and, in the case of a cheque (other than cashier's order), bears the Digital Signatures of the account holder(s) and/or authorized signer(s) and the payer bank Member; and, in the case of a cashier's order, bears the Digital Signatures of the payer bank Member.

**"e-Cheque Drop Box"** means an electronic drop box operated by HKICL, provided (i) on a website accessible through a supported internet browser and/or (ii) on a mobile application, and/or (iii) through a direct application interface or any other similar facilities, which accepts presentment of e-Cheques.

**"e-Cheque Drop Box Service"** means the service of providing the e-Cheque Drop Box by HKICL.

**"e-Cheque Drop Box User"** means an individual or entity who registers an e-Cheque Drop Box account with one or more payee bank accounts for the purpose of presenting e-Cheque(s). For the avoidance of doubt, this term includes an e-Cheque Drop Box User who registers an e-Cheque Drop Box account with a payee bank account (i) in his/her/its sole name, (ii) in the joint names of the e-Cheque Drop Box User and another person or (iii) in the name of another person.

**"e-Cheque Payments"** means electronic payments of e-Cheques generated by HKICL on Day D in accordance

with Rule 7.6.5.2.

**"e-Cheque Portal"** means a computer system which is part of the Clearing Facilities operated by HKICL to support the e-Cheque Presentment Service and performs functions in accordance with the Operating Procedures.

**"e-Cheque Presentment Service"** means the e-Cheque Drop Box Service, the Payee Bank Presentment Service and any other eligible e-Cheque presentment channel(s) provided by HKICL.

**"Final Cut-off time"** means the final cut-off time for settlement in a Bulk Clearing Settlement Run.

**"FIRO"** means the Financial Institutions (Resolution) Ordinance (Cap. 628 of the Laws of Hong Kong).

**"Group A Members"** means Members who themselves are able to produce images in accordance with the Operating Procedures for the clearing of Paper Cheques excluding SZ Cheques.

**"Group B Members"** means Members other than Group A Members who make arrangements with HKICL in accordance with the Operating Procedures for HKICL to produce images for the clearing of Paper Cheques excluding SZ Cheques on their behalf.

**"group company"** has the meaning given to that term in section 2 of the FIRO.

**"Group Member"** means, in relation to a company, any company falling within the same "group of companies" as that company as defined under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

**"HKICL"** means Hong Kong Interbank Clearing Limited.

**"HKSCC"** means Hong Kong Securities Clearing Company Limited.

**"HSSS"** means the HSBC Sanction Screening System owned by SI and interfaced with CHATS to scan payment instructions from Sending Members by comparing the payment data of such payment instructions against the Designated Sanction Lists.

**"HSSS screening process"** means all operations, processes, procedures and arrangements involved in connection with the scanning of payment instructions by HSSS, including the identification, inspection, request for information and determination of any Suspicious Payment (as defined in Rule 6.4.2) by the HSSS Service Provider.

**"HSSS Service Provider"** means SI or a person (which is a Group Member of SI) appointed by SI to operate HSSS after consultation with MA, and including any agents and sub-contractors appointed by it, in each case after consultation with MA.

**"ICU"** means an institution (other than a Member) whose CHATS Transactions (including CHATS Transactions in respect of Credit Card Items but excluding CHATS Transactions in respect of other Articles) are cleared and settled through a Direct Participant and who is allocated a clearing code by HKICL; "**its ICU**" means, in relation to a Direct Participant, an ICU with respect to whom it is agreed with that Direct Participant that its CHATS Transactions (including CHATS Transactions in respect of Credit Card Items but excluding CHATS Transactions in respect of other Articles) be settled through such Direct Participant's Designated Settlement Account.

**"iMBT"** means the terminal system enabling connection to the Clearing House Computer via the HKICL network and/or internet, whereby a Direct Participant may connect to such terminal system through terminals located within the premises of such Direct Participant according to the security requirements provided by HKICL from time to time. Access to the iMBT via the HKICL network by a Direct Participant is for the same purposes as that of eMBT; while access to the iMBT via internet by a Direct Participant (i) is to be used as a contingency in case such Direct Participant is unable to connect to the Clearing House Computer through the eMBT via the SWIFT network and the iMBT via the HKICL network for the purposes of performing operational, administrative and monitoring functions related to CHATS as stipulated in the Operating Procedures, and (ii) will only be provided to the Direct Participant where it is enabled by HKICL upon request of such Direct Participant.

**"Indirect Participant"** means a Member other than a Direct Participant; and "its Indirect Participant" means, in

relation to a Direct Participant, an Indirect Participant with respect to whom it is agreed with that Direct Participant that its payments be settled through such Direct Participant's Designated Settlement Account.

**"Indirect-participating Card Member"** means a member of a Credit Card Company who is not a Direct Participant, Indirect Participant, ICU or TPU, and whose Credit Card Items are settled through a Direct Participant which acts as a Settlement Agent and "its Indirect-participating Card Member" means, in relation to a Direct Participant, an Indirect-participating Card Member with respect to whom it is agreed with that Direct Participant that its Credit Card Items be settled through such Direct Participant's Settlement Account.

"**inoperable**" in relation to all or part of the Clearing Facilities, means all or part of the Clearing Facilities becoming incapable of normal operation or in the opinion of HKICL difficult to operate normally by reason of (i) a system failure; (ii) non-availability of HKICL's production or backup contingency sites; (iii) circumstances affecting the staff of HKICL or Members or any other relevant third parties rendering it difficult or impossible to operate part or all of the Clearing Facilities normally; (iv) a requirement from the Government of the Hong Kong Special Administrative Region, MA or SI; or (v) any other unforeseen disruption scenarios rendering it difficult or impossible to operate part or all of the Clearing Facilities normally.

**"Interest Adjustment Rate"** means the FED Fund Target Rate or another rate of interest announced by SI with the approval of MA from time to time.

**"Interest Adjustment Scheme"** means the Interest Adjustment Scheme provided in Rule 7.3 as amended from time to time.

**"Interbank Intraday Liquidity Facility"** or **"IILF"** means a liquidity facility to facilitate the provision of liquidity from Liquidity Providers to Liquidity Consumers in accordance with Rule 6.13.

**"Liquidity Consumer"** means a Member who registers with HKICL to borrow liquidity through the IILF from a single Liquidity Provider in accordance with Rule 6.13.

**"Liquidity Provider"** means a Member who registers with HKICL to provide liquidity through the IILF to one or more Liquidity Consumer(s) in accordance with Rule 6.13.

**"MA"** means the Monetary Authority appointed under the Exchange Fund Ordinance (Cap. 66 of the Laws of Hong Kong).

**"Macau"** means Macao Special Administrative Region of the People's Republic of China.

**"Mainland FX Payment"** means a payment instruction relating to China's foreign exchange transaction (as identified by a designated payment code for such transaction) input by a Direct Participant who has registered as a user group member, effected through CHATS.

**"MBT"** means eMBT and/or iMBT as appropriate.

**"MC Agent"** means the Direct Participant (which is bank) appointed or authorised by the MC Settlement Centre (and notified by it to MA and HKICL) to act as the agent of the MC Settlement Centre in relation to the clearing and settlement of Paper Cheques (which are drawn on Members who are banks) presented to MC Banks for payment. The Direct Participant who is acting as the MC Agent shall cease to be the MC Agent for the purposes of these Clearing House Rules as and when (a) such Direct Participant shall, for whatever reason, cease to be so appointed or authorised by the MC Settlement Centre, and (b) a successor MC Agent has been appointed or authorised by the MC Settlement Centre and notified by it to MA and HKICL. Upon receipt of notification from the MC Settlement Centre regarding the appointment or replacement of the MC Agent, HKICL shall advise SI as soon as reasonably practicable.

**"MC Banks"** means banks in Macau in relation to the collection of Paper Cheques drawn on Members who are banks.

**"MC Settlement Centre"** means Bank of China, Macau Branch or any successor clearing operator of the clearing house of Monetary Authority of Macao as recognised by Monetary Authority of Macao.

**"Members"** means banks and other institutions which, in the case of other institutions, have been permitted by SI and MA to use all or part of the Clearing House and the Clearing Facilities and which, in the case of banks and other institutions, have agreed with SI to be bound by these Clearing House Rules. For the avoidance of doubt, this term does not include a branch or the head office of a Member located outside Hong Kong.

**"Monetary Authority of Macao"** means the Monetary Authority of Macau (Autoridade Monetaria de Macau).

**"Non-Clearing Day"** means a Working Day in relation to which HKICL has given a notice pursuant to Rule 5.9, 5.10 or 5.11 to the effect that all or part of the Clearing Facilities will be suspended.

**"Normal Queue"** means a queue of Direct Debit Instructions already input or generated by SI and/or the queue mode specified by a Direct Participant for an applicable payment instruction in relation to which such payment instruction (subject to Rule 6.3.1.5, Rule 6.3.3.5, Rule 6.3.4.4, Rule 6.3.5.5 and Rule 6.3.9.3(f)) or Direct Debit Instruction will be settled immediately if the available balance of the Direct Participant in its Designated Settlement Account is sufficient to meet the payment instruction or Direct Debit Instruction where the payment instruction or Direct Debit Instruction is first in priority in the queue. Save in respect of OTC Clear Payment Instructions (whereby initial queue mode is determined according to the criteria stipulated in the Operating Procedures), the Clearing House Computer will treat the payment instruction as Normal Queue if the queue mode is not specified in an applicable payment instruction.

**"Operating Procedures"** means the operating procedures issued by HKICL pursuant to Rule 2.5 and for the time being in force.

**"OTC Clear"** means OTC Clearing Hong Kong Limited.

**"OTC Clear Debit Request"** means a request transmitted or delivered by OTC Clear to the Clearing House Computer for the generation of an OTC Clear Payment Instruction for the effecting of a payment through CHATS to settle an obligation of a Member or one of its customers which is not a Member to OTC Clear by paying into the Designated Settlement Account of a bank Member designated by OTC Clear in accordance with the Operating Procedures as of the Working Day referred to in the request which can be the day on which the request is received by the Clearing House Computer or any Supported Forward Day.

**"OTC Clear Payment Instruction"** means an OTC Clear Payment Instruction Value Today or an OTC Clear Payment Instruction Value Forward Day.

**"OTC Clear Payment Instruction Value Forward Day"** means an instruction generated by CHATS upon receipt of an OTC Clear Debit Request transmitted by OTC Clear for the effecting of a payment to settle an obligation of a Member or one of its customers which is not a Member to OTC Clear by paying into the Designated Settlement Account of a bank Member designated by OTC Clear in accordance with the Operating Procedures for value through CHATS as of the Supported Forward Day referred to in the OTC Clear Debit Request.

**"OTC Clear Payment Instruction Value Today"** means an instruction generated by CHATS upon receipt of an OTC Clear Debit Request transmitted by OTC Clear or delivered by OTC Clear by virtue of Special Posting for the effecting of a payment to settle an obligation of a Member or one of its customers which is not a Member to OTC Clear by paying into the Designated Settlement Account of a bank Member designated by OTC Clear in accordance with the Operating Procedures for value through CHATS as of the Working Day on which the OTC Clear Debit Request is received by the Clearing House Computer.

**"OTC Items"** means ECG items for clearing generated and submitted by OTC Clear in respect of the money clearing and settlement of transactions between Members which contain instructions for the money clearing and settlement of (i) the US dollar portion of US dollar and Hong Kong dollar payment transactions (i.e. **"OTCCHU Items"**); and (ii) the US dollar portion of US dollar and Renminbi payment transactions (i.e. **"OTCCRU Items"**) to be settled in accordance with Part V of Schedule III.

**"Participant List"** means the exhaustive list of all Members, ICUs and TPUs which is maintained by HKICL and posted on the website of HKICL.

**"Paper Cheques"** means paper cheques, demand drafts, cashier's orders, dividend warrants, remittance advices, travellers' cheques, gift cheques and negotiable instruments drawn on Members who are banks to be cleared and

settled through CHATS on a bulk clearing basis as provided by these Clearing House Rules, and includes SZ Cheques; and where the context so admits includes the front and reverse of such documents and for the avoidance of doubt excludes e-Cheques.

**"Payee Bank Presentment Service"** means a service other than the e-Cheque Drop Box Service provided to payee bank Members to facilitate the presentment of e-Cheques which they have collected through their own means including through the internet banking system.

**"PDPO"** means the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong).

**"Pending Queue"** means the queue mode specified by a Direct Participant for a payment instruction in relation to which such payment instruction (save as provided in Rule 6.3.1.5, Rule 6.3.3.5, Rule 6.3.4.4 and Rule 6.3.9.3(f)) will not at any time be settled even if the available balance of the Direct Participant in its Designated Settlement Account is sufficient to meet the payment instruction. Such payment instruction (save as provided in Rule 6.3.1.5, Rule 6.3.3.5, Rule 6.3.4.4 and Rule 6.3.9.3(f)) will remain in the Pending Queue until (a) it is automatically transferred by the Clearing House Computer to the Normal Queue after the time stipulated in the Operating Procedures, (b) it is cancelled by the Direct Participant or (c) it is transferred by the Direct Participant to the Normal Queue. For the avoidance of doubt, the Pending Queue is not applicable to (a) a Direct Debit Instruction input or generated by SI, (b) a CCPMPNet Payment Instruction or (c) a CCPMPNet Optimiser Payment Instruction.

**"People's Bank of China"** means People's Bank of China acting as the central bank of the People's Republic of China pursuant to the Law of the People's Republic of China on the People's Bank of China promulgated by the National People's Congress on 18 March 1995.

**"Personal Data"** has the meaning given to that term in the PDPO.

**"PSSVFO"** means the Payment Systems and Stored Value Facilities Ordinance (Cap. 584 of the Laws of Hong Kong).

**"Rainstorm Procedures"** means the Rainstorm Procedures determined by HKICL in consultation with SI and for the time being in force.

**"Receiving Member"** means a Direct Participant which receives a credit transfer (other than credit transfers in respect of Articles) which has been effected through CHATS.

**"Regional CHATS Payments"** means payment instructions relating to cross-border transactions (as identified by designated payment codes for such transactions) input by a Direct Participant in favour of a Service Provider (which, for the avoidance of doubt, may include that Direct Participant), effected through CHATS.

**"Renminbi"** means the principal lawful currency for the time being of the mainland of the People's Republic of China.

**"Returned E-bill Payments"** means E-bill Payments which cannot be processed for any reason as stipulated in the Operating Procedures or for any other reasons which make it impossible for a direct credit to be credited to an account.

**"RTGS Liquidity Optimiser"** means a settlement mechanism allowing simultaneous gross settlement of selected CHATS Transactions in accordance with Rule 6.12.

**"Sanctioned Transactions"** means transactions, the payment data of which match with any information set out in the Designated Sanction Lists (or are otherwise deemed to involve, directly or indirectly, an entity, individual or other item of information set out in the Designated Sanction Lists), as conclusively determined by the HSSS Service Provider in its sole discretion.

**"SCCASS Participant Items"** means ECG items for clearing generated by CCASS which are presented and settled on Day D including (i) amendments to SCCASS Participant Items submitted by HKSCC to HKICL after the initial clearing process and (ii) further amendments to SCCASS Participant Items submitted by Members to HKSCC after the settlement of SCCASS Participant Items in accordance with Schedule III.

**"Security and Anti-fraud Requirements"** refers to the set of requirements on endpoint security measures for combatting payment fraud as specified by HKICL and amended by HKICL as and when necessary and notified to Members from time to time.

**"Sending Member"** means a Direct Participant which initiates a credit transfer (other than credit transfers in respect of Articles) through CHATS.

**"Service Provider"** means a Direct Participant who registers with HKICL as such and authorises HKICL to provide its correspondent banks' information in accordance with Rule 6.8 to enable Direct Participants to effect Regional CHATS Payments through CHATS to that Direct Participant for its onward transmission to the correspondent bank designated by the relevant Direct Participants.

**"Settlement Account"** means the account opened and maintained by a Direct Participant with SI as provided in Rule 3.1.1 and which complies with the requirements contained in the Operating Procedures.

**"Settlement Agent"** means a Direct Participant which settles Credit Card Items of (a) its Indirect Participants, (b) its ICUs, (c) its TPUs and/or (d) its Indirect-participating Card Members, as the case may be, through its Settlement Account.

**"Settlement Amount"** means the net amount payable to or payable by a Direct Participant for itself and its Indirect Participants in a Bulk Clearing Settlement Run including the net settlement balance payable to or payable by it and its Indirect Participants for the Articles (excluding Credit Card Items) to be settled in the Bulk Clearing Settlement Run concerned together with the amount of any interest compensation payable or receivable under the Interest Adjustment Scheme in respect of the Bulk Clearing Settlement Run concerned and, depending on the context, includes a Re-Settlement Amount as defined in Schedule I, a net amount payable to or payable by a Direct Participant for itself, its Indirect Participants, its ICUs, its TPUs and its Indirect-participating Card Members in a settlement of Credit Card Items as provided for in Part IV of Schedule III and a net amount payable to or payable by a Direct Participant for itself and its Indirect Participants in a settlement of OTC Items as provided for in Part V of Schedule III. In relation to the SZ Agent, the Settlement Amount includes the amounts payable to or payable by the relevant SZ Banks. In relation to the MC Agent, the Settlement Amount includes the amounts payable to the relevant MC Banks.

**"Settlement Hold"** means a hold or earmarking of funds, in an amount equal to the relevant debit Settlement Amount, in the Settlement Account of a Direct Participant for the debit Settlement Amount payable by it for itself, its Indirect Participants, its ICUs, its TPUs and its Indirect-participating Card Members in a Bulk Clearing Settlement Run as from the commencement of a Settlement Process as provided in Schedule I and Clause 3 of Part IV of Schedule III.

**"Settlement Process"** means the process of debiting and crediting the Settlement Accounts of the Direct Participants for purposes of settlement of their respective Settlement Amounts in a Bulk Clearing Settlement Run and, depending on the context, includes a Re-Settlement as defined in Schedule I, a settlement of Credit Card Items as provided for in Part IV of Schedule III and a settlement of OTC Items as provided for in Part V of Schedule III.

**"SI"** means the institution appointed by MA to provide clearing and settlement services for US dollars, and which for the time being is The Hongkong and Shanghai Banking Corporation Limited.

**"Special Posting"** means a contingency arrangement to handle the situation where the computer of any of the Direct Participants, OTC Clear or the Clearing House Computer has failed to connect to the SWIFT network and the HKICL network for delivery of CHATS transactions. The decision to trigger such arrangement may be made at the request of the Direct Participant, OTC Clear or HKICL subject to the relevant approval(s) being sought in accordance with the provisions as set out in the Operating Procedures. This contingency arrangement is not applicable to payment instructions valued on any Supported Forward Day or to OTC Clear Debit Requests which request generation of OTC Clear Payment Instructions valued on any Supported Forward Day.

**"Supported Forward Day"** means in respect of any instruction or OTC Clear Debit Request a Working Day referred to in the instruction or the OTC Clear Debit Request which is within 12 calendar days of the System Date on which the instruction or the OTC Clear Debit Request is received by the Clearing House Computer and

**"Supported Forward Days"** means in respect of any instruction or OTC Clear Debit Request all Working Days within 12 calendar days of the System Date on which the instruction or the OTC Clear Debit Request is received by the Clearing House Computer.

**"SWIFT"** means the Society for Worldwide Interbank Financial Telecommunication.

**"SWIFT Business Identifier Code"** means, in respect of an institution, the unique code assigned by SWIFT to that institution.

**"System Date"** means the date adopted by the Clearing House Computer (other than for the clearing and settlement of Articles), such that immediately after the CHATS Value Date Cut-off on a Working Day, the System Date will become the date of the next Working Day.

**"SZ Agent"** means the Direct Participant (which is a bank) appointed or authorised by the People's Bank of China, Shenzhen Branch (and notified by it to MA and HKICL) to act as the agent of the SZ Settlement Centre and the SZ Banks in relation to the clearing and settlement of (i) SZ Cheques and Paper Cheques drawn on Members (who are banks) which are presented in Shenzhen; and (ii) e-Cheques drawn on Members (who are banks) which are presented in Shenzhen, delivered to HKICL by the SZ Agent and collected by HKICL on behalf of the SZ Agent acting on behalf of the SZ Settlement Centre. The Direct Participant who is acting as the SZ Agent shall cease to be the SZ Agent for the purposes of these Clearing House Rules as and when (a) such Direct Participant shall, for whatever reason, cease to be so appointed or authorised by the People's Bank of China, Shenzhen Branch, (the "appointing branch"), and (b) a successor SZ Agent has been appointed or authorised by the appointing branch and notified by such branch to MA and HKICL. Upon receipt of notification from the People's Bank of China, Shenzhen Branch regarding the appointment or replacement of the SZ Agent, HKICL shall advise SI as soon as reasonably practicable.

**"SZ Banks"** means bodies corporate which are authorised or licensed under applicable law in Shenzhen in relation to the clearing of SZ Cheques, Paper Cheques and e-Cheques drawn on Members who are banks relating to Shenzhen, to offer and operate current accounts from which withdrawals, and into which deposits, can be made by use of cheques and e-Cheques.

**"SZ Cheques"** means Paper Cheques in US dollars, in the form(s) from time to time specified by HKICL, and drawn on SZ Banks.

**"SZ Settlement Centre"** means the Shenzhen Financial Electronic Settlement Center Co., Ltd, or its respective successor as recognised by the People's Bank of China.

**"TPU"** or **"Third Party User"** means an institution (other than a Member) whose CHATS Transactions (including CHATS Transactions in respect of Credit Card Items but excluding CHATS Transactions in respect of other Articles) are cleared and settled through one or more Direct Participant(s) and who is not allocated a clearing code by HKICL except in relation to the settlement of Credit Card Items of the institution; "**its TPU**" means, in relation to a Direct Participant, a TPU who has agreed with that Direct Participant that CHATS Transactions (including CHATS Transactions Credit Card Items but excluding CHATS Transactions in respect of other Articles) of the TPU are permitted to be settled through such Direct Participant's Designated Settlement Account. A TPU is identified (a) in a CHATS Transaction (other than a CHATS Transaction in respect of an Article) by its SWIFT Business Identifier Code or, if the TPU has no SWIFT Business Identifier Code, the account number of its account maintained with the Direct Participant through which the CHATS Transaction is cleared and settled or (b) in a CHATS Transaction in respect of a Credit Card Item by its clearing code. For the avoidance of doubt, CHATS Transactions in respect of Credit Card Items of a TPU shall be cleared and settled through one and only one Direct Participant; and other CHATS Transactions (excluding CHATS Transactions in respect of Articles) of a TPU may be cleared and settled through one or more Direct Participant(s).

**"Typhoon Procedures"** means the Typhoon Procedures determined by HKICL in consultation with SI and for the time being in force.

**"Unpaid Articles"** means Articles returned unpaid from the Clearing House (excluding Credit Card Items, CCASS Participant Items, E-bill Payments, Returned E-bill Payments, SCCASS Participant Items and OTC Items).

**"US dollars"** means United States dollars, or the lawful currency for the time being of the United States of America.

**"Working Day"** means (i) in respect of settlement of CHATS Transactions (other than CHATS Transactions in respect of CCASS Payment Instructions, CCPMPNet Payment Instructions, CCPMPNet Optimiser Payment Instructions and Articles), a day other than a Saturday, Sunday and 1st January; and (ii) in any other case, a day other than a Saturday and a general holiday as specified in the General Holidays Ordinance (Cap. 149 of the Laws of Hong Kong).

### 1.7 Interpretation

Unless the context otherwise requires:

(a) a word or expression defined in these Clearing House Rules and the Schedules hereto bears the defined meaning; terms defined in these Clearing House Rules shall bear the same meaning when used in the Schedules;

(b) where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning;

(c) a person includes individuals, bodies corporate (wherever and howsoever incorporated), unincorporated associations and partnerships;

(d) a person includes its successor;

(e) reference to the singular includes the plural and vice versa;

(f) reference to one gender includes all genders;

(g) "including" and similar expressions are not words of limitation;

(h) reference to a group or thing includes any part thereof; and

(i) headings are for convenience only and do not affect interpretation.

# Part II Clearing House, Clearing Facilities and HKICL

## 2.1 Clearing House

No Member shall use or provide in Hong Kong any facilities for clearing of cheques in US dollars and other negotiable instruments in US dollars drawn on Members who are banks, and SZ Cheques in US dollars drawn payable on SZ Banks, and for the processing of direct debits and credits, funds transfers, e-Cheques and other banking transactions in each case in US dollars other than those provided by HKICL (either directly or through a sub-contractor) as agent for SI. Each Member shall be entitled to the use of all or part of the Clearing House and the Clearing Facilities subject to the provisions of these Clearing House Rules and any agreement between that Member and SI.

## 2.2 Location

The Clearing House shall be located at such place in Hong Kong as shall be notified from time to time by HKICL to SI and the Members.

## 2.3 Responsibility for the Clearing House and the Clearing Facilities

2.3.1 HKICL shall as agent for SI, subject to the provisions of these Clearing House Rules and in accordance with the Operating Procedures, provide, manage and operate the Clearing House and the Clearing Facilities and make available the services of the Clearing House and the Clearing Facilities to the Members. HKICL may (with the approval of both SI and MA) sub-contract the performance of its obligations hereunder as agent of SI.

2.3.2 HKICL shall exercise a degree of skill, care and responsibility commensurate with that exercised by HKICL in relation to its provision of the Hong Kong dollar clearing house and clearing facilities. The exercise of such skill, care and responsibility shall constitute a full and complete discharge of the obligations and duties of SI and HKICL to Members and other persons in respect of and concerning the Clearing House and the Clearing Facilities under these Clearing House Rules and the Operating Procedures.

2.3.3 (a) HKICL and SI shall not be liable to any Member, any ICU, any TPU, any Indirect-participating Card Members, any correspondent bank of a Service Provider, any customer of a Member, any e-Cheque Drop Box User and/or any other person in respect of any claim, loss, damage or expense (including without limitation, loss of business, loss of business opportunity, loss of profit, special, indirect or consequential loss, even if HKICL or SI knew or ought reasonably to have known of their possible existence) of any kind or nature whatsoever arising in whatever manner directly or indirectly from or as a result of anything done or omitted to be done by HKICL or SI bona fide, except that HKICL's liability for loss or damage (other than loss of business, loss of business opportunity, loss of profit, special, indirect or consequential loss) suffered by any Member, any ICU, any TPU, any Indirect-participating Card Members, any correspondent bank of a Service Provider and/or any customer of a Member and/or any other person as a result of any failure, error or inaccuracy in HKICL's provision, management or operation of the Clearing House and/or the Clearing Facilities under these Clearing House Rules which are proved to have resulted substantially from (i) a reckless act or omission or the intentional misconduct of its servants or agents or (ii) fire or theft affecting the premises or property of HKICL shall not be so excluded. This Rule shall not, in the case of HKICL, apply to loss caused by total or substantial destruction of Paper Cheques in the Clearing House on any day such that HKICL is unable to process the clearing of such Paper Cheques on that day (see Rule 2.3.3(b)).

(b) In the event of the total or substantial loss of Paper Cheques in the Clearing House on any day such that HKICL is unable to process the clearing of such Paper Cheques on that day, HKICL shall be liable for all direct losses (excluding without limitation, loss of business, loss of business opportunity, loss of profit, special, indirect or consequential loss, even if HKICL knew or ought to have known of their possible existence) of any kind or nature

whatsoever arising in whatever manner directly or indirectly from or as a result of anything done or omitted to be done by HKICL other than bona fide but shall not be otherwise liable nor shall it be liable for any consequential loss however caused.

(c) Notwithstanding anything herein and for the avoidance of doubt, SI and HKICL shall, when acting in good faith, not be liable in respect of any act or omission pursuant to Schedule I.

2.3.4 Each Member shall in respect of all claims, losses, damages and expenses incurred by it, any of its customers (or any of their e-Cheque Drop Box Users), any of its ICUs, any of its TPUs, any of its Indirect-participating Card Members or (where such Member is a Service Provider) any of its correspondent banks, indemnify and hold each of SI and HKICL harmless against all actions, proceedings, costs, claims, demands, liabilities, losses or expenses whatsoever and howsoever arising out of or in connection with HKICL's provision, management or operation of the Clearing House and/or the Clearing Facilities and/or HKICL's performance of its obligations under these Clearing House Rules and the Operating Procedures save and except those claims for which HKICL is liable as provided in Rule 2.3.3.

2.3.5 MA shall not be liable to SI, HKICL, any Member, any ICU, any TPU, any Indirect-participating Card Members, any correspondent bank of a Service Provider, any e-Cheque Drop Box User or any other person in respect of any claim, loss, damage or expense (including without limitation, loss of business, loss of business opportunity, loss of profit, special, indirect or consequential loss, even if MA knew or ought reasonably to have known of their possible existence) of any kind or nature whatsoever arising in whatever manner directly or indirectly from or as a result of anything done or omitted to be done by MA bona fide or by SI, HKICL or any Member, any ICU, any TPU, any Indirect-participating Card Members, any correspondent bank of a Service Provider, any e-Cheque Drop Box User or any other person in the management, operation or use (including without limitation, the termination and/or suspension of SI, the Clearing Facilities or any Member) of the Clearing House or the Clearing Facilities or any part of any of them. SI and each Member shall jointly and severally indemnify and hold MA harmless in respect of any liability, claim, loss, damage or expense hereinbefore described in this Rule 2.3.5, such indemnity to survive the expiry or termination of any Member's use of the Clearing House or Clearing Facilities.

2.3.6 The provisions in this Rule 2.3 shall be in addition to and shall not be affected by any other provisions of these Rules which (i) exclude or limit the liability of MA, HKICL and/or SI; or (ii) set out an indemnity provision in favour of MA, HKICL and/or SI.

2.3.7 HKICL shall not be responsible for debiting and crediting the Designated Settlement Accounts. SI shall settle all payments effected through CHATS by debiting and crediting the Designated Settlement Accounts concerned in accordance with Rules 3.1.4 and 3.1.5.

## 2.4 SZ Agent and MC Agent

2.4.1 (a) The SZ Agent, who was acting at the time the relevant claim was made as such agent, shall indemnify and hold HKICL and SI harmless against all losses, damages, liabilities, costs and expenses whatsoever and howsoever arising out of or in connection with any claim, demand, action or proceeding against HKICL or SI by the SZ Settlement Centre, any SZ Bank clearing through the SZ Settlement Centre, or any customer of any such SZ Bank in connection with or arising out of any act or omission on the part of HKICL or SI or their respective servants or agents in relation to the clearing or settlement of SZ Cheques, Paper Cheques or e-Cheques drawn on Members who are banks, save and except any claim which is proved to have resulted substantially from a reckless act or omission or intentional misconduct of HKICL's or SI's servants or agents. HKICL or, as the case may be, SI, will notify the SZ Agent of any such claim, demand, action or proceeding within 7 Working Days of receipt of formal written notice thereof by HKICL or, as the case may be, SI.

(b) The MC Agent, who was acting at the time the relevant claim was made as such agent, shall indemnify and hold HKICL and SI harmless against all losses, damages, liabilities, costs and expenses whatsoever and howsoever arising out of or in connection with any claim,

demand, action or proceeding against HKICL or SI by the MC Settlement Centre, any MC Bank clearing through the MC Settlement Centre, or any customer of any such MC Bank in connection with or arising out of any act or omission on the part of HKICL or SI or their respective servants or agents in relation to the clearing or settlement of relevant Paper Cheques drawn on Members who are banks, save and except any claim which is proved to have resulted substantially from a reckless act or omission or intentional misconduct of HKICL's or SI's servants or agents. HKICL or, as the case may be, SI, will notify the MC Agent of any such claim, demand, action or proceeding within 7 Working Days of receipt of formal written notice thereof by HKICL or, as the case may be, SI.

2.4.2 The SZ Agent shall indemnify and hold HKICL, SI and each other Member harmless against all actions, proceedings, costs, claims, demands, liabilities, losses or expenses whatsoever and howsoever arising out of or in connection with its certification of or failure to certify any unpaid SZ Cheques (including in relation to the Default Transactions referred to in Part II, Schedule I) and/or its notice to or failure to notify HKICL that any SZ Bank is in default. Without prejudice to the foregoing indemnity, it is acknowledged that the SZ Agent will only act in accordance with notification from the SZ Settlement Centre as to whether any SZ Bank is in default. Upon receipt of notification of SZ Bank default from the SZ Agent, HKICL will notify SI as soon as practicable.

2.4.3 No SZ Agent or MC Agent is an agent of HKICL or SI for any purpose, and neither HKICL nor SI shall be liable in any way in relation to any act or omission of any SZ Agent or MC Agent.

## 2.5 Clearing House Operating Procedures

HKICL shall be entitled with SI's and MA's approval to issue Operating Procedures for the Clearing House and the Clearing Facilities and to amend such Operating Procedures from time to time as it thinks fit with SI's and MA's approval. To the extent of any inconsistency between these Clearing House Rules and the Operating Procedures, these Clearing House Rules shall prevail save where otherwise specifically provided for in these Clearing House Rules. The current version of the Operating Procedures can be found on HKICL's website www.hkicl.com.hk. Any amendments made thereto shall become effective from the effective date(s) as stated in HKICL's prior notice to Members and the amended version will be posted onto HKICL's website (which shall specify the effective date(s) for the amendments according to the notice). In the event of any inconsistency between the version of the Operating Procedures on HKICL's website and any other version of the Operating Procedures, the version on HKICL's website shall prevail.

## 2.6 Clearing Facilities Expenses

2.6.1 Members shall pay to HKICL fees in Hong Kong dollars for the use of the Clearing Facilities calculated in the manner determined by HKICL from time to time with SI's approval ("Fees").

2.6.2 Payment of the Fees shall be made monthly in arrears by direct debit instruction generated by HKICL pursuant to direct debit authorisation issued by each Direct Participant in HKICL's favour in respect of Fees due from such Direct Participant and all its Indirect Participants. Failing due payment interest shall become payable on the outstanding sum at the rate which HKICL certifies from time to time to be equal to the average of the best lending rates for Hong Kong dollars for the time being quoted by three Members which are banks as selected by HKICL.

## 2.7 Confidentiality

2.7.1 SI and HKICL shall (and SI shall procure that any HSSS Service Provider appointed by it shall) keep confidential all information received from or collected on behalf of Members in connection with the Clearing House and Clearing Facilities and shall, except as otherwise required by law or pursuant to these Rules and the Operating Procedures or in accordance with any other agreement with the relevant Member, disclose the same only to those of their respective staff who require the information for the purpose of providing, managing and operating the Clearing Facilities, or to MA. SI and HKICL shall take all reasonable steps to ensure that their respective staff are aware of SI's and HKICL's confidentiality obligations.

2.7.2 The SZ Agent shall keep confidential all information relating to the other Members and their customers which the SZ Agent obtains in its capacity as the SZ Agent, and shall not use or disclose any such information except (a) for the purposes of clearing and settling relevant SZ Cheques and, Paper Cheques and e-Cheques drawn on Members who are banks and presented to the Clearing House by Members or as the case may be by the SZ Banks or customers of SZ Banks through that the SZ Agent or (b) as required by law.

2.7.3 The MC Agent shall keep confidential all information relating to the other Members and their customers which the MC Agent obtains in its capacity as the MC Agent, and shall not use or disclose any such information except (a) for the purposes of clearing and settling Paper Cheques drawn on Members who are banks and presented to the Clearing House by the MC Banks through the MC Agent or (b) as required by law.

## 2.8 Contract

2.8.1 SI, HKICL and each Member agree that these Clearing House Rules constitute a contract between SI, HKICL, such Member and all other Members from time to time. It is recognised that HKICL may with SI's and MA's approval amend these Clearing House Rules from time to time.

2.8.2 Each Member which participates in the clearing and settlement of CCASS Items agrees that HKSCC may present CCASS Items to HKICL for clearing and settlement in accordance with these Rules and on the terms set out in an agreement between HKICL and HKSCC (the "**HKSCC Agreement**") and SI is authorised by such Members to debit and credit such Members' Settlement Accounts to settle the relevant CCASS Items presented by HKSCC without making any independent verification of the correctness or integrity of the contents of the CCASS Items. According to the terms of the HKSCC Agreement, HKSCC will be responsible for the correctness of the contents of each CCASS Item and will indemnify such Members, MA, SI and HKICL against all liabilities and expenses incurred by any of them arising out of or as a result of any error in an CCASS Item or discrepancy between information in a CCASS Item and the related underlying transaction. HKICL, MA and SI shall not be liable for, and expressly exclude any such liability for, any direct, indirect, consequential, special or incidental damage, loss or expense, whether caused by negligence or otherwise, which arises directly or indirectly as a consequence of the processing, clearing or settlement of (or any failure or delay to process, clear or settle) any CCASS Items in accordance with these Rules.

2.8.3 (a) Each Member which participates in the clearing and settlement of OTC Items agrees that OTC Clear may present OTC Items to HKICL for clearing and settlement in accordance with these Rules and on the terms set out in an agreement between HKICL and OTC Clear (the "OTC Clear Agreement") and SI is authorised by such Members to debit and credit such Members' Settlement Accounts to settle the relevant OTC Items presented by OTC Clear without making any independent verification of the correctness or integrity of the contents of the OTC Items. According to the terms of the OTC Clear Agreement, OTC Clear will be responsible for the correctness of the contents of each OTC Item and will indemnify such Members, MA, SI and HKICL against all liabilities and expenses incurred by any of them arising out of or as a result of any error in an OTC Item or discrepancy between information in an OTC Item and the related underlying transaction. HKICL, MA and SI shall not be liable for, and expressly exclude any such liability for, any direct, indirect, consequential, special or incidental damage, loss or expense, whether caused by negligence or otherwise, which arises directly or indirectly as a consequence of the processing, clearing or settlement of (or any failure or delay to process, clear or settle) any OTC Items in accordance with these Rules.

(b) Each Member which participates in money settlement of OTC Clear Payment Instructions via CHATS agrees that OTC Clear may transmit or deliver OTC Clear Debit Requests to HKICL for generation of OTC Clear Payment Instructions and agrees to the effecting of funds transfer in accordance with these Rules and on the terms set out in the OTC Clear Agreement and SI is authorised by such Members to debit such Members' Designated

Settlement Accounts and credit the Designated Settlement Account of OTC Clear's designated bank Member to settle the relevant OTC Clear Payment Instructions generated by CHATS pursuant to the OTC Clear Debit Requests transmitted or delivered by OTC Clear without making any independent verification of the correctness or integrity of the contents of the OTC Clear Debit Requests or OTC Clear Payment Instructions. According to the terms of the OTC Clear Agreement, OTC Clear will be responsible for the correctness of the contents of each OTC Clear Debit Request and will indemnify such Members, MA, SI and HKICL against all liabilities and expenses incurred by any of them arising out of or as a result of any error in an OTC Clear Debit Request or discrepancy between information in an OTC Clear Debit Request and the related underlying transaction. HKICL, MA and SI shall not be liable for, and expressly exclude any such liability for, any direct, indirect, consequential, special or incidental damage, loss or expense, whether caused by negligence or otherwise, which arises directly or indirectly as a consequence of the processing or settlement of (or any failure or delay to process or settle), any OTC Clear Debit Request and OTC Clear Payment Instruction in accordance with these Rules.

## 2.9 Compliance with the PSSVFO

2.9.1 Each Member, HKICL and SI shall comply with all obligations under the PSSVFO and all directions or regulations made by MA thereunder, as may be applicable to each of them.

2.9.2 Without prejudice to the generality of Rule 2.9.1, HKICL shall:

(a) operate the Clearing House and Clearing House Computer in a safe and efficient manner calculated to minimise the likelihood of any disruption to the functioning of the Clearing House and Clearing House Computer; and

(b) operate the Clearing House and Clearing House Computer in accordance with the PSSVFO insofar as it applies in relation to the Clearing House and Clearing House Computer.

For the avoidance of doubt, HKICL shall not be responsible for debiting and crediting the Designated Settlement Accounts.

2.9.3 Each of HKICL and SI shall provide (and be entitled to provide) all information and reports required to be provided by a system operator or settlement institution pursuant to Sections 6 (Obligation to inform MA of name and address etc.), 12 (MA may request information or documents), 30 (Duty to report on completion of default proceedings) and 53 (Requirement to give information relating to default) of the PSSVFO.

2.9.4 Without prejudice to the generality of Rule 2.9.1, each Member shall notify HKICL, SI and MA forthwith if there comes to its attention any of the following circumstances occurring in Hong Kong or any analogous circumstances occurring outside Hong Kong:

(a) a Member becoming unable to meet its obligations;

(b) the presentation of a petition for winding up of the Member;

(c) the making of an order for winding up of the Member;

(d) the passing of a resolution for voluntary winding up of the Member;

(e) the making of a directors' voluntary winding up statement in respect of the Member; or

(f) subject to any confidentiality obligations binding on it, the taking of any crisis prevention measure in relation to the Member or a group company of the Member.

HKICL shall inform SI and MA forthwith if it becomes aware of any of the foregoing.

2.9.5 Without prejudice to the generality of Rule 2.9.1, none of the Members nor HKICL nor SI shall contravene Section 45 (Giving false information to MA) of the PSSVFO.

2.9.6 Each Member shall have systems in place which are complementary to HKICL's contingency arrangements so as to enable HKICL to ensure the timely recovery of its usual operations in the event of the occurrence of an adverse contingency affecting such operations. Such contingency arrangements shall be modified from time to time in the manner required by HKICL or SI or MA, and HKICL shall notify Members of the changes accordingly. Members shall participate in the contingency drills arranged by HKICL from time to time so as to verify their readiness.

2.9.7 In the event of any inconsistency between the provisions of this Rule 2.9 and any of the other provisions of these Clearing House Rules, this Rule 2.9 shall prevail.

## 2.10 Compliance with the Security and Anti-fraud Requirements

2.10.1 Each Member shall comply with the applicable Security and Anti-fraud Requirements as specified by HKICL.

2.10.2 Each Member shall submit a self-declaration of compliance with the Security and Anti-fraud Requirements to HKICL when required, and in a form specified, by HKICL; responses from Members may be passed to SI and MA for follow up and record.

## 2.11 Monitoring of Compliance with these Rules

2.11.1 HKICL will monitor performance by Members of their obligations under these Rules.

2.11.2 In the event that HKICL becomes aware of any non performance by any Member of its obligations under these Rules, HKICL shall as soon as practicable inform (i) the Member concerned and require it to ensure performance of the relevant provision; and (ii) SI and MA of such incident.

# Part III Settlement

## 3.1 Settlement Institution, Settlement Accounts and Additional Settlement Accounts

3.1.1 The settlement institution is SI and each Direct Participant shall open and keep a Settlement Account with SI and if agreed by SI a Direct Participant may open and keep an Additional Settlement Account with SI in each case in such manner and upon such terms and conditions as agreed between each Direct Participant and SI and MA for the purposes of settlement of payments effected through CHATS.

3.1.2 Each Indirect Participant, ICU, TPU, and Indirect-participating Card Member shall open and keep an account with a Direct Participant and agree with such Direct Participant the terms and conditions on which such Direct Participant shall permit payments by or to such Indirect Participant, ICU, TPU and Indirect-participating Card Member to be settled through such Direct Participant's Designated Settlement Account.

3.1.3 Each Direct Participant shall maintain an available balance in its Designated Settlement Account sufficient to meet in time its, its Indirect Participants', its ICUs', its TPUs' and its Indirect-participating Card Members' payment obligations which are to be settled through such Designated Settlement Account as and when due.

3.1.4 Notwithstanding the mode and means by which they are made, all payments by or to each Direct Participant, its Indirect Participants, its ICUs and its Indirect-participating Card Members which are effected through CHATS shall be settled by SI debiting or crediting the Designated Settlement Account of such Direct Participant through CHATS and once debited or credited to such Designated Settlement Account, such payments shall be deemed made, completed, irrevocable and final.

3.1.5 Notwithstanding the mode and means by which it is made, each payment by or to each TPU which is effected through CHATS shall be settled by SI debiting or crediting the Designated Settlement Account of its Direct Participant through which the corresponding CHATS Payment Instruction specifies such payment to be cleared and settled and once debited or credited to such Designated Settlement Account, such payment shall be deemed made, completed, irrevocable and final.

3.1.6 Each Direct Participant authorises SI to debit or, as the case may be, credit its Designated Settlement Account for payments by or to such Direct Participant, its Indirect Participants, its ICUs, its TPUs and its Indirect-participating Card Members which are effected through CHATS in accordance with the provisions of these Clearing House Rules.

## 3.2 Settlement of CHATS Transactions (other than CHATS Transactions in respect of Articles)

All CHATS Transactions (other than CHATS Transactions in respect of Articles) involving payments or funds transfers shall be settled as provided in Part VI of these Clearing House Rules.

## 3.3 Settlement of Articles

Settlement of Articles cleared through CHATS shall be effected as provided in Part VII of these Clearing House Rules.

## 3.4 Direct Participant to Direct Participant payments

A Direct Participant can open accounts with another Direct Participant for operational purposes and the nostro Direct Participant can directly debit or credit such accounts for payments of an operational nature, but these accounts and such in-house transfers should not be used for large scale funds transfers, in particular in connection with the settlement of capital market or treasury type transactions or for funds transfers from the account opening Direct Participant to another Direct Participant.

### 3.5 Settlement Obligations

Notwithstanding any provisions in these Clearing House Rules but without prejudice to its obligations in respect of the management and operation of the Clearing House and the Clearing Facilities, HKICL shall be under no liability whatsoever for any settlement obligations of or between Members.

# Part IV Members

## 4.1 Clearing House Rules and Operating Procedures

These Clearing House Rules and the Operating Procedures are binding on Members. Members shall comply with and observe these Clearing House Rules and all Operating Procedures as amended from time to time and in force.

## 4.2 Membership

4.2.1 Banks are entitled to become Direct Participants unless otherwise provided by MA or any applicable law.

4.2.2 Subject to Rule 4.2.18, banks may by agreement with a Direct Participant become Indirect Participants, ICUs or TPUs through such Direct Participant unless otherwise provided by MA or any applicable law.

4.2.3 Institutions other than banks may become Direct Participants if they have been permitted by SI and MA to use all or part of the Clearing House and the Clearing Facilities or, with the permission of SI and MA and by agreement with a Direct Participant, may choose to become Indirect Participants, ICUs or TPUs through such Direct Participant subject to Rule 4.2.18.

4.2.4 A Direct Participant shall give 10 Working Days' prior written notice to SI before it becomes an Indirect Participant.

4.2.5 An Indirect Participant shall give 10 Working Days' prior written notice to SI before it becomes a Direct Participant or before it terminates an agreement with one Direct Participant, and agrees with another Direct Participant, for the settlement of payments.

4.2.6 A Direct Participant shall give 10 Working Days' prior written notice to SI before it allows an institution to become its ICU or TPU or before it terminates its agreement to allow an institution to be its ICU or TPU.

4.2.7 In the event that an ICU becomes insolvent, is unable to pay its debts as they fall due or is the subject of a winding up petition or other like process, the Direct Participant of such ICU shall forthwith advise SI and MA thereof and forthwith stop initiating or otherwise processing or executing any CHATS Transaction in respect of that ICU or crediting or otherwise making any payment in respect of any CHATS Transaction to that ICU. SI shall after obtaining the consent of MA forthwith notify HKICL and instruct it to cancel the clearing code of that ICU so that no further CHATS Transactions may be made to or for the account of that ICU through its clearing code.

4.2.8 In the event that a TPU becomes insolvent, is unable to pay its debts as they fall due or is the subject of a winding up petition or other like process, the Direct Participant(s) of such TPU shall forthwith advise SI thereof and forthwith stop initiating or otherwise processing or executing any CHATS Transactions in respect of that TPU or crediting or otherwise making any payment in respect of any CHATS Transaction to that TPU. SI shall forthwith notify HKICL and instruct HKICL to remove that TPU from the Participant List and cancel any clearing code of that TPU where applicable. HKICL shall, upon receipt of such instruction, remove that TPU from the Participant List and cancel any clearing code of that TPU where applicable.

4.2.9 An ICU shall cease to be an ICU if its clearing code has been cancelled or if its Direct Participant ceases to be a Member or has Clearing Facilities suspended. A TPU shall cease to be a TPU if it is removed from the Participant List or if all of its Direct Participants cease to be Members or are suspended from using the Clearing Facilities.

4.2.10 A Direct Participant may act as the correspondent bank of an ICU for the purpose of enabling the ICU to:

4.2.10.1 give, through the Direct Participant, CHATS Payment Instructions;

4.2.10.2 receive, through the Direct Participant and through the use of the clearing code of the ICU, payments following the giving of CHATS Payment Instructions (including CHATS Payment Instructions effected by Special Posting) by another Member, an ICU or a TPU; and

4.2.10.3 settle, through the Direct Participant, Credit Card Items.

4.2.11 A Direct Participant may act as the correspondent bank of a TPU for the purpose of enabling the TPU to:

4.2.11.1 give, through the Direct Participant, CHATS Payment Instructions;

4.2.11.2 receive, through the Direct Participant, payments following the giving of CHATS Payment Instructions (including CHATS Payment Instructions effected by Special Posting) by another Member, an ICU or a TPU; and

4.2.11.3 settle, through the Direct Participant, Credit Card Items.

4.2.12 An ICU or a TPU shall not be a Member and shall have no rights or obligations vis-à-vis other Members, SI or HKICL. All rights and obligations vis-à-vis other Members, SI or HKICL arising out of the giving of CHATS Payment Instructions for the account of an ICU or a TPU shall be the rights and obligations of the relevant Direct Participant.

4.2.13 A Direct Participant may act as the correspondent bank of an Indirect-participating Card Member for the purpose of enabling the Indirect-participating Card Member to settle, through the Direct Participant, Credit Card Items.

4.2.14 An Indirect-participating Card Member shall not be a Member and shall have no rights or obligations vis-à-vis other Members, SI or HKICL. All rights and obligations vis-à-vis other Members, SI or HKICL arising out of the giving of Credit Card Items for the account of an Indirect-participating Card Member shall be the rights and obligations of the relevant Direct Participant.

4.2.15 A member of a Credit Card Company may by agreement with a Direct Participant become its Indirect-participating Card Member subject to approval of SI and MA.

4.2.16 All CHATS Transactions (including CHATS Payment Instructions effected by Special Posting but excluding CHATS Transactions in respect of Articles) effected by or in favour of a Direct Participant for the account of an ICU or a TPU shall be settled by the crediting or debiting of the Designated Settlement Account of the Direct Participant and shall be construed for the purposes of these Clearing House Rules as receipts or payments of the relevant Direct Participant.

4.2.17 Credit Card Items effected by or in favour of a Direct Participant for the account of an Indirect-participating Card Member shall be settled by the crediting or debiting of the Settlement Account of the Direct Participant and shall be construed for the purposes of these Clearing House Rules as receipts or payments of the relevant Direct Participant.

4.2.18 Unless otherwise approved by SI and MA on a case by case basis, Direct Participants shall not agree with any institution which is not an ICU to become its ICU.

## 4.3 Withdrawal

4.3.1 A Member may withdraw from membership of the Clearing House by giving 90 days' prior written notice to SI and HKICL and by paying the accrued fees and other payments, if any, due by it to HKICL in relation to the Clearing House and the Clearing Facilities up to the date of withdrawal. An Indirect Participant shall also at the same time notify the relevant Direct

Participant. Such withdrawal shall be without prejudice to any liability accrued up to and including the date of withdrawal.

4.3.2 Notwithstanding Rules 4.2 and 4.3.1, the SZ Agent's ceasing to be a Direct Participant or withdrawal from membership shall only take effect upon the appointment or authorisation of a replacement agent by the People's Bank of China, Shenzhen Branch and after notification thereof by it to MA and HKICL. Upon receipt of such notification from the People's Bank of China, Shenzhen Branch, HKICL will advise SI as soon as reasonably practicable.

4.3.3 Notwithstanding Rules 4.2 and 4.3.1, the MC Agent's ceasing to be a Direct Participant or withdrawal from membership shall only take effect upon the appointment or authorisation of a replacement agent by the MC Settlement Centre and after notification thereof by it to MA and HKICL. Upon receipt of such notification from the MC Settlement Centre, HKICL will advise SI as soon as reasonably practicable.

## 4.4 Clearing Codes

4.4.1 Clearing codes which are used to identify each Member, each ICU, each TPU in respect of its Credit Card Items, each Indirect-participating Card Member, each Credit Card Company, HKSCC, OTC Clear (collectively referred to as "entities"), each Settlement Account and each Additional Settlement Account (one per entity, Settlement Account and Additional Settlement Account or at the discretion of HKICL more than one per entity) and the SZ Settlement Centre, and branch codes which are used in conjunction with each entity's clearing code or one of its clearing codes to identify each of an entity's branches, are allocated by HKICL to be used by the entities for the purposes of the services provided by the Clearing House. No entity may use a clearing code which is allocated to another entity. Common branch codes may be allocated to different entities, and no entity may use a branch code except in conjunction with its clearing code or one of its clearing codes. All such rights as may subsist in the clearing and branch codes are owned by HKICL and such codes may be used by it for all purposes connected with or incidental to its businesses. The provision of branch codes in this Rule is not applicable to a TPU, a Credit Card Company or an Indirect-participating Card Member.

4.4.2 A CHATS Transaction (including CHATS Transactions in respect of Credit Card Items but excluding CHATS Transactions in respect of other Articles) effected by or in favour of a Direct Participant for the account of an ICU shall only be made if the ICU has a valid and subsisting clearing code.

4.4.3 The clearing code of an ICU shall be cancelled by HKICL in the event that:

4.4.3.1 the ICU is in default and SI after obtaining the consent of MA instructs HKICL to cancel the clearing code of the ICU;

4.4.3.2 Clearing Facilities of the Direct Participant of an ICU are suspended.

4.4.4 HKICL shall as soon as practicable inform all Members of the cancellation of the clearing code of an ICU.

4.4.5 A CHATS Transaction in respect of Credit Card Items effected by or in favour of a Direct Participant for the account of a TPU or an Indirect-participating Card Member shall only be made if the TPU or the Indirect-participating Card Member has a valid and subsisting clearing code.

4.4.6 The clearing code of an Indirect-participating Card Member shall be cancelled by HKICL in the event that:

4.4.6.1 the Indirect-participating Card Member is in default and SI after obtaining the consent of MA instructs HKICL to cancel the clearing code of the Indirect-participating Card Member;

4.4.6.2 Clearing Facilities of the Direct Participant of an Indirect-participating Card Member are suspended.

4.4.7 If a TPU is assigned a clearing code, then the clearing code shall be cancelled by HKICL in the event that:

4.4.7.1 the TPU is in default and SI instructs HKICL to cancel the clearing code of the TPU;

4.4.7.2 Clearing Facilities of the Direct Participant through which CHATS Transactions in respect of the Credit Card Items of the TPU are cleared and settled are suspended.

4.4.8 In the event of the cancellation by HKICL of the clearing code of a TPU or an Indirect-participating Card Member, HKICL shall inform the Card Agent of the relevant Credit Card Company.

## 4.5 Outsourcing by Members

Members may outsource any of their systems required for the purpose of participation in the Clearing House. In so doing Members shall exercise reasonable skill and care in choosing the outsourcing party. Each of SI and HKICL is authorised to deal with any such outsourcing party notified to it as being authorised to act on such Member's behalf provided that the Member shall be responsible for all acts, omissions, neglects or defaults of its outsourcing party and such Member appointing an outsourcing party will indemnify each of SI and HKICL from all liabilities arising out of or incurred as a result of the acts, omissions, neglects or defaults of its outsourcing party and all liabilities arising out of or incurred by SI or HKICL by virtue of any dealings by SI or HKICL with an outsourcing party of a Member which it would not have incurred if SI or HKICL had dealt with that Member directly. This rule shall not apply to the production of images of Paper Cheques by HKICL for Group B Members in accordance with the Operating Procedures.

## 4.6 Migration

(a) A Member which at any time is a Group A Member may, with the consent of HKICL and subject to such notice period as HKICL requires, change its status to a Group B Member.

(b) A Member which at any time is a Group B Member may, on giving 12 months' notice to HKICL, change its status to a Group A Member.

## 4.7 Intra Member Payments

For the avoidance of doubt, it is declared that (a) a Sending Member may make funds transfers to itself as Receiving Member in respect of CHATS Transactions (including transfers effected pursuant to CHATS Payment Instructions, CCASS Payment Instructions, CCP Instructions, CCPMPNet Payment Instructions and CCPMPNet Optimiser Payment Instructions); and (b) OTC Clear may initiate OTC Clear Debit Requests to the Clearing House Computer for generation of OTC Clear Payment Instructions to make funds transfers from the paying Member referred to in Rule 6.3.9.3(a) to the bank Member designated by OTC Clear being the same as the paying Member.

## Part V Refusal/Suspension of Clearing Facilities

5.1 Clearing Facilities provided to a Member shall be suspended in accordance with the provisions of the Default Arrangement.

5.2 Clearing Facilities shall be refused forthwith by HKICL to a Member or any group of Members or all Members if HKICL receives notice in writing from SI (after SI has consulted with MA) that Clearing Facilities are to be so refused.

5.3 Clearing Facilities provided to a Member or any group of Members or all Members shall be suspended forthwith by HKICL:

(a) upon receipt by HKICL of a notice in writing from SI (with the prior consent of MA) that Clearing Facilities to such Member(s) have been suspended by SI (with the prior consent of MA) for such period as shall be stipulated in such notice; or

(b) if it becomes insolvent.

5.4 In a case to which Rule 5.1, 5.2 or 5.3 applies, Clearing Facilities shall only be restored to the Member or Members in question or all such Members upon receipt by HKICL of a notice in writing to such effect from SI (with the prior consent of MA).

5.5 For the avoidance of doubt, these Rules are subject to the provisions of section 89 of the FIRO. Accordingly nothing in this Rule 5 shall be construed to require or entitle HKICL (or SI or MA) to suspend Clearing Facilities to a Member or to trigger any default event provision under these Rules in relation to a Member by reason solely of:

(a) the taking of any crisis prevention measure in relation to the Member or a group company of the Member;

(b) the occurrence of an event directly linked to the taking of any crisis prevention measure referred to in paragraph (a) of this Rule 5.5; or

(c) the occurrence of any other event that does not of itself trigger a default event provision under these Rules in relation to the Member pursuant to section 89 of the FIRO,

provided the substantive obligations (including payment and delivery obligations) applicable to the Member under these Rules continue to be performed.

5.6 In the event that an Indirect Participant becomes insolvent, is unable to pay its debts as they fall due or is the subject of a winding up petition or other like process, the Direct Participant of such Indirect Participant shall forthwith advise SI and MA thereof and forthwith stop initiating or otherwise processing or executing any CHATS Transaction in respect of that Indirect Participant or crediting or otherwise making any payment in respect of any CHATS Transaction to that Indirect Participant.

5.7 If any Member's use of Clearing Facilities has been refused or suspended or if the clearing of any SZ Cheque has been refused or suspended, HKICL shall, as soon as practicable thereafter, notify all other Direct Participants by a broadcast in the manner provided in the Operating Procedures, and shall notify HKSCC, OTC Clear and the SZ Settlement Centre in a manner separately agreed with them and thereafter all other Members, HKSCC, OTC Clear and the SZ Settlement Centre shall not deliver to HKICL any Articles payable by or to, or initiate any other CHATS Transactions involving, the Member for which Clearing Facilities are refused or suspended while such refusal or suspension shall continue in effect (or deliver to HKICL any SZ Cheque, if the Member in question is the SZ Agent, or any SZ Cheque relating to an SZ Bank in the case of default by that SZ Bank).

5.8 For the avoidance of doubt, if any Member's use of Clearing Facilities has been refused or suspended in accordance with Rule 5.1, 5.2 or 5.3, the e-Cheque Presentment Service being part of the Clearing Facilities is entitled to not accept any e-Cheques drawn on or payable into an account operated by the

Member for which Clearing Facilities are refused or suspended while such refusal or suspension shall continue in effect.

5.9 If it appears that part or all of the Clearing Facilities are inoperable, HKICL may at any time after consultation with SI and MA, declare by notice in writing to all Members, HKSCC, OTC Clear and the SZ Settlement Centre in respect of clearing and settlement of e-Cheques, that all or part of the Clearing Facilities will be suspended for the Working Day on which the notice is given and shall provide information as to which (if any) of the Clearing Facilities will be available. Any such notice from HKICL in relation to the inoperability of an e-Cheque Presentment Service may be published on any website, mobile application or on any other system on which an e-Cheque Presentment Service is made available.

5.10 At the end of each Non-Clearing Day, HKICL will consult with SI and MA with a view to determining whether and the extent to which Clearing Facilities will be resumed for the following Working Day. After such consultation HKICL will give notice in writing to all Members, HKSCC, OTC Clear and the SZ Settlement Centre in respect of clearing and settlement of e-Cheques, as to which of the Clearing Facilities will be available on the next Working Day. Any such notice from HKICL in relation to the resumption of an e-Cheque Presentment Service may be published on any website, mobile application or on any other system on which an e-Cheque Presentment Service is made available.

5.11 At any time during a Non-Clearing Day, HKICL may at any time after consultation with SI and MA declare by notice in writing to all Members, HKSCC, OTC Clear and the SZ Settlement Centre in respect of clearing and settlement of e-Cheques, that part or all of the Clearing Facilities which have been suspended on that Non-Clearing Day shall resume normal operation. Any such notice from HKICL in relation to the resumption of an e-Cheque Presentment Service may be published on any website, mobile application or on any other system on which an e-Cheque Presentment Service is made available.

5.12 During a Non-Clearing Day, the Clearing Facilities shall be operated in accordance with the Operating Procedures and any other circulars issued by HKICL dealing with the operation of the Clearing Facilities during periods of suspension.

5.13 The resumption of normal operation of the Clearing Facilities shall be in accordance with the Operating Procedures.

5.14 MA may by notice in writing to HKICL suspend the operation of SI under these Clearing House Rules. HKICL shall as soon as practicable notify all Direct Participants by a broadcast in the manner provided in the Operating Procedures and notify in writing HKSCC, OTC Clear and the SZ Settlement Centre in respect of clearing and settlement of e-Cheques. For so long as such suspension continues, no settlement of any payments shall take place under these Clearing House Rules. Outstanding CHATS Payment Instructions and OTC Clear Payment Instructions shall be queued and cancelled at CHATS Value Date Cut-off. Direct Participants may perform the MBT functions as usual except that no payment shall be settled.

5.15 Neither MA nor SI nor HKICL shall owe any duty or incur any liability to any Member, any ICU, any TPU, any Indirect-participating Card Member, any correspondent bank of a Service Provider, any customer of a Member, any e-Cheque Drop Box User, or any other person whatsoever (each a "**Relevant Person**") by the giving of any notice or advice pursuant to or purporting to be given pursuant to this Rule 5 and/or the Default Arrangement and/or Part IV of Schedule III and/or Part V of Schedule III or by the failure to give or any delay in giving any such notice or advice. HKICL shall incur no liability to any Relevant Person for the consequences of acting on the Default Arrangement, these Clearing House Rules and any such notice or advice given or purportedly given to any Relevant Person pursuant to this Rule 5 and/or Part IV of Schedule III and/or Part V of Schedule III. Each Member hereby agrees to indemnify each of MA, SI and HKICL against any liabilities referred to in this Rule, or incurred by each of them to any Relevant Person in its capacity as such.

# Part VI CHATS (other than the processing of funds transfers in respect of Articles)

## 6.1 Introduction

6.1.1 Each Direct Participant shall access CHATS via the SWIFT network or HKICL network. Payment instructions effected through CHATS and their related requests shall be in designated format as stipulated in the Operating Procedures.

6.1.2 Only Direct Participants may be connected to the Clearing House Computer through the eMBT (via the SWIFT network) and iMBT (via the HKICL network and/or internet) as provided in Rule 6.2 to perform operational, administrative and monitoring functions related to CHATS as stipulated in the Operating Procedures.

6.1.3 Requests for enhancement of or changes relating to CHATS by Direct Participants shall be submitted by that Direct Participant to HKICL for transmission to SI to decide whether they should be implemented, subject in each case to prior consultation with MA.

6.1.4 The provisions of this part relating to CHATS Transactions effected by way of Special Posting shall be subject to the provisions of Rule 6.11.

## 6.2 MBT

6.2.1 Each Direct Participant connecting its terminal to the Clearing House Computer through the eMBT (via the SWIFT network) and/or iMBT (via the HKICL network) is required to also be able to connect to the Clearing House Computer through the iMBT (via internet) as a contingency in case it is unable to connect to the eMBT through the SWIFT network and/or iMBT through the HKICL network.

6.2.2 Each Direct Participant shall at its own cost install and maintain in good order a terminal which can access the MBT as prescribed or approved by HKICL from time to time. Use of the terminal which can access the MBT shall be restricted to that Direct Participant's authorised personnel who use passwords or other systems to ensure only authorised personnel of that Direct Participant may access the MBT. HKICL is authorised to rely and act on instructions using such passwords or systems. Direct Participants shall be liable for all consequences of misuse of such passwords or other systems.

6.2.3 Each Direct Participant must connect its terminal to the MBT in order to connect to the Clearing House Computer. A terminal must be a computer or intelligent terminal device (i) which (in the case of the eMBT) is installed with software provided by SWIFT and which can access the eMBT in order to connect to the Clearing House Computer via the SWIFT network, or (ii) which (in the case of the iMBT) can access the iMBT in order to connect to the Clearing House Computer via the HKICL network and/or internet, as the case may be. The connection must undergo formal verification and connection tests with final approval being at the discretion of HKICL. All telecommunications charges or charges levied by SWIFT relating to the connection shall be borne by the relevant Direct Participant.

6.2.4 Each Direct Participant shall strictly observe and comply with the guidelines as stipulated in the relevant Operating Procedures relating to its access or use of the MBT and/or the operation of the Clearing Facilities by it.

6.2.5 Requests for enhancement of or changes to the MBT functions provided by HKICL by Direct Participants shall be submitted by that Direct Participant to HKICL for transmission to SI to decide whether they should be implemented, subject in each case to prior consultation with MA.

6.2.6 All software, data, specifications and similar intellectual property comprised within the MBT are owned by, or licensed to, HKICL and may not be copied, downloaded, distributed or published in any way without the prior written consent of HKICL. Direct Participants may utilise such proprietary information of HKICL solely for the purposes of performing operational,

administrative and monitoring functions relating to CHATS as stipulated in the Operating Procedures, and in accordance with the Clearing House Rules.

6.2.7 HKICL provides access to the MBT on an "as is" basis, and save as provided in these Rules, makes no representation as to, and does not warrant, the accuracy or completeness of the MBT or data derived from its use (including for the avoidance of doubt accuracy or completeness of any information in any fraud detection or other tools provided by HKICL to Members via the MBT separate from the clearing and settlement functions provided by HKICL pursuant to these Rules). HKICL gives no warranties, express, implied or statutory, of any kind, including without limitation as to the merchantability, fitness for a particular purpose, title, non-infringement of third party rights or freedom from viruses, worms, trojan horses or other contaminating programming or code relating to the use of the MBT, except to the extent the same cannot be excluded or limited at law or as otherwise given in these Rules.

6.2.8 To the fullest extent permitted by law (and subject only to the provisions of Rule 2.3 of the Clearing House Rules), HKICL and SI shall not be liable for, and expressly excludes any such liability for, any direct, indirect, consequential, special or incidental damage, loss or expense, whether caused by negligence or otherwise, which arises directly or indirectly as a consequence of the use of the (or inability to use) MBT, whether or not HKICL has been notified of the possibility of such damage, loss or expense.

6.2.9 [This provision has been left blank intentionally]

## 6.3 Settlement of CHATS Transactions (other than CHATS Transactions in respect of Articles)

### 6.3.1 CHATS Payment Instruction Value Today

6.3.1.1 A CHATS Payment Instruction Value Today will not be effected or settled through CHATS unless the available balance in the Sending Member's Designated Settlement Account for the time being is sufficient to make the payment referred to in such payment instruction. In case the available balance in the relevant Sending Member's Designated Settlement Account is insufficient to make such payment, the relevant CHATS Payment Instruction Value Today, unless subsequently cancelled, will remain in the Normal Queue until either:

(a) such time as the available balance is sufficient to meet such payment instruction when it is first in priority in the Normal Queue, and in such case, the CHATS Payment Instruction Value Today will be effected automatically; or

(b) the CHATS Value Date Cut-off and in such case, the CHATS Payment Instruction Value Today will be cancelled automatically.

This provision shall not apply to CHATS Payment Instructions Value Today in the Pending Queue.

6.3.1.2 Subject to Rule 6.3.1.1, a funds transfer initiated by a CHATS Payment Instruction Value Today will be settled through CHATS immediately upon the completion of its processing.

6.3.1.3 In a case to which Rule 6.3.1.1(a) applies, the relevant CHATS Payment Instruction Value Today will be settled through CHATS immediately upon the completion of its processing.

6.3.1.4 Settlement of a CHATS Payment Instruction Value Today will be effected across the books of SI pursuant to Rules 3.1.4 and 3.1.5 by debiting the Designated Settlement Account of the Sending Member for the funds transferred and crediting the same to the Designated Settlement Account of the Receiving Member.

6.3.1.5 A Direct Participant shall be entitled to re-sequence the Normal Queue of its CHATS Payment Instructions Value Today at any time prior to the CHATS Value Date Cut-off or to transfer CHATS Payment Instructions Value Today from the Normal Queue to the Pending Queue or vice versa before the specified time as stipulated in the Operating Procedures. However, a Direct Participant can only cancel its CHATS Payment Instructions Value Today in the Normal Queue and the Pending Queue up to the CHATS Customer Cut-off time. This Rule 6.3.1.5 is subject to Rule 6.12.8.

6.3.1.6 Rules 6.3.1.1 to 6.3.1.5 shall in all respects be subject to the arrangements provided for in the Operating Procedures in relation to the CMU Optimiser Runs and to that extent the Operating Procedures shall prevail over Rules 6.3.1.1 to 6.3.1.5.

### 6.3.2 CHATS Payment Instruction Value Forward Day

6.3.2.1 Direct Participants may not make payments/funds transfers through CHATS for value dates later than the last of the Supported Forward Days.

6.3.2.2 CHATS Payment Instructions Value Forward Day will be stored in the Clearing House Computer and will not be processed or settled until the value day specified.

6.3.2.3 CHATS Payment Instruction Value Forward Day will be automatically processed for settlement after the CHATS Commencement on the relevant Supported Forward Day ("Value Day") in the same way and manner as CHATS Payment Instructions Value Today input during that Value Day and all provisions in Rule 6.3.1 shall apply.

### 6.3.3 CCASS Payment Instructions

6.3.3.1 A CCASS Payment Instruction will not be effected or settled through CHATS except on a Working Day (i) between CCASS Commencement and CCASS Interim Cut-off for CCASS Interim Cut-off Payment; or (ii) between CCASS Commencement and CCASS End of Day Cut-off for CCASS End of Day Cut-off Payment as the case may be and unless:

(a) the Clearing House Computer has received a positive validation of the CCASS Payment Instruction from CCASS; and

(b) the available balance in the Sending Member's Designated Settlement Account for the time being is sufficient to settle the CCASS Payment Instruction. This provision shall not apply to CCASS Payment Instructions in the Pending Queue.

6.3.3.2 In case the provisions of Rule 6.3.3.1 (b) cannot be complied with, the CCASS Payment Instruction will remain in the Normal Queue until:

(a) the available balance in the Sending Member's Designated Settlement Account is sufficient to settle the CCASS Payment Instruction when it is first in priority in the Normal Queue, and in such case, the CCASS Payment Instruction will be effected automatically; or

(b) the CCASS Interim Cut-off or CCASS End of Day Cut-off (as the case may be),

and a CCASS Interim Cut-off Payment not settled by CCASS Interim Cut-off or a CCASS End of Day Cut-off Payment not settled by CCASS End of Day Cut-off, as the case may be, will be cancelled automatically.

6.3.3.3 Subject to Rule 6.3.3.2, a CCASS Payment Instruction will be settled through CHATS immediately upon the completion of its processing.

6.3.3.4 Settlement of a CCASS Payment Instruction will be effected across the books of SI pursuant to Rules 3.1.4 and 3.1.5 by debiting the Designated Settlement Account of the Sending Member for the funds transferred and crediting the same to the Designated Settlement Account of the Receiving Member.

6.3.3.5 Subject to Rule 6.12.8 and save as provided for in the Operating Procedures in relation to the CMU Optimiser Run, a Direct Participant shall be entitled to re-sequence the Normal Queue or to transfer CCASS Payment Instructions from the Normal Queue to the Pending Queue or vice versa or cancel any of its CCASS Payment Instructions in the Normal Queue and the Pending Queue at any time prior to the CCASS Interim Cut-off or CCASS End of Day Cut-off, as the case may be. This Rule 6.3.3.5 does not apply to CCASS Payment Instructions in case of an emergency by reason of which HKSCC rolls back the data for system recovery in accordance with Rule 6.9.2.

6.3.3.6 No CCASS Payment Instructions may be made requiring payment on a future date.

### 6.3.4 CCP Instructions

6.3.4.1 A CCP Instruction will not be effected or settled through CHATS except on a Working Day between CCPMP Commencement and CCPMP Cut-off and unless:

(a) the Clearing House Computer has received a positive validation of the CCP Instruction from CCPMP; and

(b) the available balance in the Sending Member's Designated Settlement Account for the time being is sufficient to settle the CCP Instruction. This provision shall not apply to CCP Instructions in the Pending Queue.

6.3.4.2 If Rule 6.3.4.1 (b) is not complied with, the CCP Instruction will remain in the Normal Queue until:

(a) the available balance in the Sending Member's Designated Settlement Account is sufficient to settle the CCP Instruction when it is first in priority in the Normal Queue, and in such case, the CCP Instruction will be effected in accordance with Rules 6.3.4.3 and 6.3.4.5;

(b) the CCP Instruction is being selected in an RTGS Liquidity Optimiser process, and in such case, the CCP Instruction will be processed pursuant to Rule 6.12; or

(c) either CCPMP Cut-off or CHATS Bank Cut-off, whichever is the earlier, when the CCP Instruction will be cancelled automatically.

6.3.4.3 A hold up to the transaction amount will be applied to the Sending Member's Designated Settlement Account as soon as (i) a CCP Instruction complies with Rule 6.3.4.1 or (ii) a CCP Instruction is selected in an RTGS Liquidity Optimiser process (provided that such CCP Instruction is not excluded pursuant to Rule 6.12.4) and such RTGS Liquidity Optimiser process is completed successfully.

6.3.4.4 Subject to Rule 6.12.8 and save as provided for in the Operating Procedures in relation to the CMU Optimiser Run, a Direct Participant shall be entitled to re-sequence the Normal Queue of its CCP Instructions or to transfer CCP Instructions from the Normal Queue to the Pending Queue or vice versa before the specified time as stipulated in the Operating Procedures or cancel any of its CCP Instructions in the Normal Queue and the Pending Queue at any time prior to such holding.

6.3.4.5 The funds held in the Sending Member's Designated Settlement Account under Rule 6.3.4.3 will only be released to the Receiving Member by debiting the Sending Member's Designated Settlement Account and crediting the Receiving Member's

Designated Settlement Account by SI pursuant to Rules 3.1.4 and 3.1.5, if CCPMP confirms that the Corresponding Transaction will be settled at the same time.

6.3.4.6 The hold on the funds in the Sending Member's Designated Settlement Account will be released if a notification to that effect is sent by CCPMP to the Clearing House Computer, when CCPMP cannot confirm that the Corresponding Transaction will be settled at the same time.

6.3.4.7 Direct Participants may not give CCP Instructions Value Forward Day a value date later than the last of the Supported Forward Days.

6.3.4.8 CCP Instructions Value Forward Day will be stored in the Clearing House Computer on receipt. A hold of funds will only be applied pursuant to Rule 6.3.4.3 and in accordance with Rule 6.3.4.1 after CHATS Commencement on the relevant Supported Forward Day and settlement will only take place after the relevant funds have been held and after CCPMP Commencement on the relevant Working Day, subject to Rule 6.3.4.9.

6.3.4.9 CCP Instructions for value as of a date on which the clearing house for the Corresponding Transaction is not open, will be rejected.

6.3.4.10 In respect of a CCP Instruction which involves a PvP or DvP linkage between the CCPMP and a RTGS system outside Hong Kong (in either case a "Linkage"), each Member and each of its ICUs or TPUs agree with MA, HKICL and SI that:

(a) MA, HKICL and SI shall not be held liable for verifying the correctness, origin or integrity of the contents of such CCP Instruction which involves a Linkage;

(b) the provisions of these Rules shall govern that part of a Linkage which is operated by HKICL, and the rules of the RTGS system outside Hong Kong (the "External Rules") shall govern that part of a Linkage which is operated by an overseas system operator and/or settlement institution, as the case may be. Each Member and each of its ICUs or TPUs acknowledge that these Rules and the External Rules may be amended in accordance with these Rules and the External Rules respectively from time to time;

(c) MA, HKICL and SI shall not owe any duty or incur any liability to any Member, or any of its ICUs or TPUs or the customers of such Members or ICUs or TPUs or any other person who uses a Linkage through such Member in respect of any claim, loss, damage or expense (including without limitation, loss of business, loss of business opportunity, loss of profit, special, indirect or consequential loss, even if the MA, HKICL and SI knew or ought reasonably to have known of their possible existence) of any kind or nature whatsoever arising in whatever manner directly or indirectly out of or in connection with a Linkage, the contents of messages input into a Linkage, the use of a Linkage, the operation or malfunction of computer systems, equipment (including without limitation, the host system and the front-end computer programs), software (including without limitation, the CCPMP) or hardware used in respect of a Linkage, the provision of the PvP settlement service for the foreign exchange transactions or the provision of the DvP settlement service for the debt security transactions as the case may be, provided under a Linkage, or as a result of the giving of any consent, notice, advice or approval in relation or pursuant to these Rules by MA, HKICL or SI;

(d) the law relating to finality of settlement (if any) which applies to the RTGS system outside Hong Kong may be different from the finality of settlement provisions provided in the PSSVFO and the PSSVFO does not apply to such

RTGS system; MA, HKICL and SI shall incur no liability to any Member, any of its ICUs or TPUs or the customers of such Members or ICUs or TPUs or any other person who uses a Linkage through such Member or ICU or TPU in respect of any claim, loss, damage or expense (including without limitation, loss of business, loss of business opportunity, loss of profit, special, direct or consequential loss, even if the MA, HKICL and SI knew or ought reasonably to have known of their possible existence) of any kind or nature whatsoever arising in whatever manner directly or indirectly out of or in connection with any difference between the law relating to finality of settlement (if any) of the jurisdiction of such RTGS system and of Hong Kong;

(e) MA, HKICL and SI shall not be liable for any claim, loss, damage or expense arising in whatever manner directly or indirectly out of or in connection with any defect in title in relation to any debt securities transferred to a Member, its ICUs or TPUs or any other person who uses a Linkage through such Member or ICU or TPU in respect of a Corresponding Transaction involving the DvP settlement services; and

(f) each Member shall procure that each of its ICUs or TPUs and the customers of such Members and ICUs or TPUs and any other person who uses a Linkage through its participation in such Linkage agree to the foregoing.

### 6.3.5 Direct Debit Instruction Value Today

6.3.5.1 A Direct Debit Instruction Value Today will be settled immediately in case the available balance in the Direct Participant's Designated Settlement Account for the time being is sufficient to make the payment referred to in such payment instruction. In case the available balance in the relevant Direct Participant's Designated Settlement Account is insufficient to make such payment, the relevant Direct Debit Instruction Value Today unless subsequently cancelled, will remain in the Normal Queue (ahead of the other CHATS Transactions (other than CHATS Transactions in respect of Articles)) until either:

(a) such time as the available balance is sufficient to meet such payment instruction when it is first in priority in the Normal Queue, and in such case, the Direct Debit Instruction Value Today will be effected automatically; or

(b) the End of Day Cut-off and in such case, the Direct Debit Instruction Value Today will be cancelled automatically.

6.3.5.2 Subject to Rule 6.3.5.1, a payment initiated by a Direct Debit Instruction Value Today will be settled through CHATS immediately upon the completion of its processing.

6.3.5.3 In a case to which Rule 6.3.5.1(a) applies, the relevant Direct Debit Instruction Value Today will be settled through CHATS immediately upon the completion of its processing.

6.3.5.4 Settlement of a Direct Debit Instruction Value Today will be effected across the books of SI pursuant to Rules 3.1.4 and 3.1.5 by debiting the Designated Settlement Account for the payment.

6.3.5.5 Subject to Rule 6.12.8, SI shall be entitled to re-sequence the Normal Queue of Direct Debit Instruction Value Today or cancel any of the Direct Debit Instructions Value Today in the Normal Queue at any time prior to the End of Day Cut-off.

6.3.5.6 Rules 6.3.5.1 to 6.3.5.5 shall in all respects be subject to the arrangements provided for in the Operating Procedures in relation to the CMU Optimiser Runs and to that extent the Operating Procedures shall prevail over Rules 6.3.5.1 to 6.3.5.5.

### 6.3.6 Direct Debit Instruction Value Forward Day

6.3.6.1 Direct Debit Instruction Value Forward Day will be stored in the Clearing House Computer and will not be processed or settled until the relevant Supported Forward Day.

6.3.6.2 Direct Debit Instruction Value Forward Day will be automatically processed for settlement after the CHATS Commencement on the relevant Supported Forward Day ("Value Day") in the same way and manner as Direct Debit Instruction Value Today received by the Clearing House Computer during that Value Day and all provisions in Rule 6.3.5 shall apply.

### 6.3.7 Direct Credit Instruction Value Today

6.3.7.1 A payment initiated by a Direct Credit Instruction Value Today will be settled through CHATS immediately upon the completion of its processing.

6.3.7.2 Settlement of a Direct Credit Instruction Value Today will be effected across the books of SI pursuant to Rules 3.1.4 and 3.1.5 by crediting the Designated Settlement Account for the payment.

### 6.3.8 Direct Credit Instruction Value Forward Day

6.3.8.1 Direct Credit Instruction Value Forward Day will be stored in the Clearing House Computer and will not be processed or settled until the relevant Supported Forward Day.

6.3.8.2 Direct Credit Instruction Value Forward Day will be automatically processed for settlement after the CHATS Commencement on the relevant Supported Forward Day ("Value Day") in the same way and manner as Direct Credit Instruction Value Today received by the Clearing House Computer during that Value Day and all provisions in Rule 6.3.7 shall apply.

### 6.3.9 OTC Clear Payment Instruction

6.3.9.1 Only Members who have registered with HKICL in accordance with the Operating Procedures to participate in the money settlement of OTC Clear Payment Instructions via CHATS may so participate.

6.3.9.2 OTC Clear will make OTC Clear Debit Requests according to the Operating Procedures. An OTC Clear Debit Request transmitted or delivered by OTC Clear to the Clearing House Computer will be validated in accordance with the validation criteria stipulated in the Operating Procedures. An OTC Clear Payment Instruction Value Today or OTC Clear Payment Instruction Value Forward Day will be generated according to the intended value day referred to in the corresponding OTC Clear Debit Request. For the avoidance of doubt, an OTC Clear Debit Request which requests for the generation of an OTC Clear Payment Instruction Value Today received after the CHATS Bank Cut-off will be rejected.

6.3.9.3 OTC Clear Payment Instruction Value Today

(a) An OTC Clear Payment Instruction Value Today generated in accordance with Rule 6.3.9.2 will be added to the Normal Queue or Pending Queue of the relevant Members according to the criteria stipulated in the Operating Procedures.

(b) An OTC Clear Payment Instruction Value Today in the Normal Queue will not be effected or settled through CHATS unless the available balance in the paying Member's Designated Settlement Account for the time being is

sufficient to make the payment referred to in such payment instruction. In case the available balance in the relevant paying Member's Designated Settlement Account is insufficient to make such payment, the relevant OTC Clear Payment Instruction Value Today, unless subsequently cancelled, will remain in the Normal Queue until either:

(i) such time as the available balance is sufficient to meet such payment instruction when it is first in priority in the Normal Queue, and in such case, the OTC Clear Payment Instruction Value Today will be effected automatically; or

(ii) the CHATS Value Date Cut-off and in such case, the OTC Clear Payment Instruction Value Today will be cancelled automatically.

This provision shall not apply to OTC Clear Payment Instructions Value Today in the Pending Queue.

(c) Subject to Rule 6.3.9.3(b), a funds transfer initiated by an OTC Clear Payment Instruction Value Today will be settled through CHATS immediately upon the completion of its processing.

(d) In a case to which Rule 6.3.9.3(b)(i) applies, the relevant OTC Clear Payment Instruction Value Today will be settled through CHATS immediately upon the completion of its processing.

(e) Settlement of an OTC Clear Payment Instruction Value Today will be effected across the books of SI pursuant to Rule 3.1.3 by debiting the Designated Settlement Account of the paying Member for the funds transferred and crediting the same to the Designated Settlement Account of a bank Member designated by OTC Clear in accordance with the Operating Procedures.

(f) A paying Member shall be entitled to re-sequence the Normal Queue of its OTC Clear Payment Instructions Value Today at any time prior to the CHATS Value Date Cut-off or to transfer OTC Clear Payment Instructions Value Today from the Normal Queue to the Pending Queue or vice versa before the specified time as stipulated in the Operating Procedures. However, a paying Member can only cancel its OTC Clear Payment Instructions Value Today in the Normal Queue and the Pending Queue up to the CHATS Customer Cut-off time. This Rule 6.3.9.3(f) is subject to Rule 6.12.8.

(g) Rules 6.3.9.3(a) to (f) shall in all respects be subject to the arrangements provided for in the Operating Procedures in relation to the CMU Optimiser Runs and to that extent the Operating Procedures shall prevail over Rules 6.3.9.3(a) to (f).

6.3.9.4 OTC Clear Payment Instruction Value Forward Day

(a) An OTC Clear Debit Request for the generation of an OTC Clear Payment Instruction Value Forward Day for effecting payments through CHATS may not be made for value dates later than the last of the Supported Forward Days.

(b) OTC Clear Payment Instructions Value Forward Day will be stored in the Clearing House Computer and will not be processed or settled until the value day specified.

(c) OTC Clear Payment Instruction Value Forward Day will be automatically processed for settlement after the CHATS Commencement on the relevant Supported Forward Day ("Value Day") in the same way and manner as OTC

Clear Payment Instructions Value Today generated during that Value Day and all provisions in Rule 6.3.9.3 shall apply.

6.3.9.5 In the event that an OTC Clear Payment Instruction is cancelled by the paying Member or by the system in accordance with the Operating Procedures, MA, SI and HKICL are not responsible and not liable to OTC Clear or the paying Member concerned for such cancellation and any claim, loss, damage, expense or other consequences directly or indirectly resulting from the cancellation.

### 6.3.10 CCPMPNet Payment Instruction

6.3.10.1 A CCPMPNet Payment Instruction should be input by a Sending Member according to the requirements as stipulated in the Operating Procedures. Any CCPMPNet Payment Instructions with value date being the current Working Day input after the input cut-off time as stipulated in the Operating Procedures will be rejected, while CCPMPNet Payment Instructions Value Forward Day will still be accepted.

6.3.10.2 A CCPMPNet Payment Instruction will not be selected for settlement in a CCPMPNet Settlement Run at the appointed time as set out in the Operating Procedures unless:

(a) the Clearing House Computer has received a positive validation of the CCPMPNet Payment Instruction from CCPMP; and

(b) such CCPMPNet Payment Instruction and the corresponding CCPMPNet Payment Instruction in another relevant currency have been validated by CHATS according to the validation rules as stipulated in the Operating Procedures.

The CCPMPNet Payment Instructions selected for settlement pursuant to this Rule 6.3.10.2 shall be referred to as "Selected CCPMPNet Payment Instruction" in this Rule 6.3.10 and Rule 6.3.11. Any CCPMPNet Payment Instructions Value Today which is not selected for settlement pursuant to this Rule 6.3.10.2 will be cancelled by CHATS at such appointed time as stipulated in the Operating Procedures.

6.3.10.3 At the time of commencement of the CCPMPNet Settlement Run, the total net settlement amount of each Direct Participant will be computed (taking into account the amount payables and receivables of the Selected CCPMPNet Payment Instructions and the Extracted CCPMPNet Optimiser Payment Instructions as defined in Rule 6.3.11.2) in accordance with the formula stipulated in the Operating Procedures.

6.3.10.4 A hold will be applied to earmark funds in the Designated Settlement Account of a Direct Participant, in an amount equal to the total net debit settlement amount computed pursuant to Rule 6.3.10.3 payable by such Direct Participant.

6.3.10.5 If (i) all relevant Direct Participants have sufficient funds in their Designated Settlement Accounts and (ii) the Clearing House Computer confirms that the Corresponding CCPMPNet Settlement Runs will be effected at the same time, settlement of the CCPMPNet Settlement Runs will be effected immediately. The total net settlement amount of each Direct Participant computed pursuant to Rule 6.3.10.3 will be settled through CHATS pursuant to Rules 3.1.4 and 3.1.5.

6.3.10.6 If one or more Direct Participant(s) is/are short of funds when applying the hold to earmark the total net debit settlement amount pursuant to Rule 6.3.10.4, HKICL will re-try in accordance with the arrangement as stipulated in the Operating Procedures. For the avoidance of doubt, the funds held in the Designated Settlement Accounts of the relevant Direct Participants under Rule 6.3.10.4 will only be released upon completion or rescheduling of the CCPMPNet Settlement Run.

6.3.10.7 If a previous Bulk Clearing Settlement Run in US dollars or in any other relevant currency of the Corresponding CCPMPNet Settlement Runs is still in progress by the time of commencement of the CCPMPNet Settlement Run, the CCPMPNet Settlement Run and the Corresponding CCPMPNet Settlement Runs shall be rescheduled in accordance with the arrangement as stipulated in the Operating Procedures. For the avoidance of doubt, the hold to earmark funds in the Designated Settlement Account of a Direct Participant will not be applied until the commencement of the rescheduled CCPMPNet Settlement Run.

6.3.10.8 Selected CCPMPNet Payment Instructions that have not been settled in the CCPMPNet Settlement Run will be converted to CCP Instructions in accordance with the arrangements as set out in the Operating Procedures.

6.3.10.9 Sending Members may not give CCPMPNet Payment Instructions Value Forward Day a value date later than the last of the Supported Forward Days.

6.3.10.10 CCPMPNet Payment Instructions Value Forward Day will be stored in the Clearing House Computer on receipt. Such instructions will be processed on the relevant Supported Forward Day in the same way and manner as stipulated in this Rule 6.3.10.

### 6.3.11 CCPMPNet Optimiser Payment Instructions

6.3.11.1 A CCPMPNet Optimiser Payment Instruction should be input by a Sending Member according to the requirements as stipulated in the Operating Procedures. Any CCPMPNet Optimiser Payment Instructions with value date being the current Working Day input after the extraction time as stipulated in the Operating Procedures will be rejected, while CCPMPNet Optimiser Payment Instructions Value Forward Day will still be accepted.

6.3.11.2 CCPMPNet Optimiser Payment Instructions will be extracted ("Extracted CCPMPNet Optimiser Payment Instructions") according to the extraction timetables as stipulated in the Operating Procedures and settled simultaneously with the Selected CCPMPNet Payment Instructions in the CCPMPNet Settlement Run in accordance to Rule 6.3.10.3 to Rule 6.3.10.5.

6.3.11.3 Any CCPMPNet Optimiser Payment Instruction Value Today that has not been settled will be cancelled at the CHATS Value Date Cut-off.

6.3.11.4 Sending Members may not give CCPMPNet Optimiser Payment Instructions Value Forward Day a value date later than the last of the Supported Forward Days.

6.3.11.5 CCPMPNet Optimiser Payment Instructions Value Forward Day will be stored in the Clearing House Computer on receipt. Such instructions will be processed on the relevant Supported Forward Day in the same way and manner as stipulated in this Rule 6.3.11.

## 6.4 Input Transactions

6.4.1 CHATS Transactions (other than CHATS Transactions in respect of Articles) may only be input by Direct Participants addressed to themselves, other Direct Participants, SI or the Clearing House Computer or by virtue of a Special Posting.

6.4.2 (a) CHATS will send all the eligible payment instructions as stipulated in the Operating Procedures to the HSSS for scanning before the commencement of the settlement process on the respective value date. If the HSSS identifies any such payment instruction as suspicious ("Suspicious Payment") in accordance with the Operating Procedures, CHATS will withhold such Suspicious Payment and notify the Sending Member concerned (or SI in the case of a Direct Credit Instruction or Direct Debit Instruction). After inspection of

the payment instruction identified as a Suspicious Payment (supplemented by such information provided by the Sending Member as may be requested by the HSSS Service Provider), the HSSS Service Provider shall determine whether the payment instruction identified as a Suspicious Payment is a Sanctioned Transaction or a false alert (which determination shall be conclusive) and, if and only if the Suspicious Payment is determined as a false alert and subject as provided in Rule 6.4.2(b), the HSSS Service Provider shall notify CHATS to release the withheld Suspicious Payment and the payment instruction concerned will then be processed in the normal manner as if the payment instruction were not a Suspicious Payment.

(b) Subject to Rule 5.14, any withheld transactions not processed by the cut-off times for the respective payment instructions on that value date will remain in CHATS and be handled in accordance with the Operating Procedures. In respect of any withheld transactions, each Member will comply with the resubmission rules set forth in the Operating Procedures. The details of the processing procedures including the special handling procedures in the event that the eligible payment instructions cannot be passed to the HSSS for scanning in real time are outlined in the Operating Procedures. In respect of CHATS Transactions effected by way of Special Posting, this Rule shall apply as modified by Rule 6.4.3.

6.4.3 CHATS Transactions effected by way of Special Posting will also be sent to the HSSS for scanning. The details of the respective handling procedures are outlined in the Operating Procedures.

6.4.4 It is a Sending Member's or SI's responsibility to initiate payment instructions effected through CHATS that comply with the requirements contained in the laws and regulations from which the "Designated Sanction Lists" are derived as if the Sending Member were subject to such laws and regulations. Each Sending Member shall indemnify HKICL and SI from any liability incurred by either of them as a result of breach of Rule 6.4.4 and SI shall indemnify HKICL from any liability incurred by it as a result of SI's breach of Rule 6.4.4.

6.4.5 Each Member shall in respect of all claims, losses, damages and expenses incurred by SI and the HSSS Service Provider indemnify and hold each of SI, the HSSS Service Provider, MA and HKICL harmless against all actions, proceedings, costs, claims, demands, liabilities, losses or expenses whatsoever and howsoever arising out of or in connection with conducting the HSSS screening process by SI and the HSSS Service Provider bona fide or in connection with processing and settling the transactions through CHATS.

6.4.6 SI and the HSSS Service Provider make no warranties or representations whatsoever (whether express, implied or statutory) regarding the HSSS screening process, including without limitation any representation or warranty of merchantability or fitness for use for a particular purpose or regarding the effectiveness of the HSSS in identifying Sanctioned Transactions. SI and the HSSS Service Provider shall not be liable to HKICL or any Member, any ICU, any TPU, any Indirect-participating Card Members, any correspondent bank of a Service Provider, any customer of a Member, any e-Cheque Drop Box User and/or any other person for any claim, loss, damage or expense (including without limitation, loss of business, loss of business opportunity, loss of profit, special, indirect or consequential loss, even if SI or the HSSS Service Provider knew or ought reasonably to have known of their possible existence) of any kind or nature whatsoever arising in whatever manner directly or indirectly, wholly or in part, from or as a result of anything done or omitted to be done bona fide by SI and the HSSS Service Provider in connection with the HSSS screening process, including without limitation for any malfunctioning of and contamination of data integrity by the HSSS or its failure to effectively screen out Sanctioned Transactions. For the avoidance of doubt this provision shall not impose any liability on HKICL which it would not have incurred in the absence of this provision.

6.4.7 HKICL, SI and the HSSS Service Provider shall not be liable for any delay or non-delivery of the withheld payment instructions as stipulated in Rule 6.4.2 or for any claim arising out of a Suspicious Payment not being a Sanctioned Transaction. HKICL does not warrant the effectiveness of the HSSS in identifying Sanctioned Transactions. HKICL shall not be responsible for any malfunctioning of and contamination of data integrity by the HSSS or its

failure to effectively screen out Sanctioned Transactions.

6.4.8 Each Member acknowledges that transaction data of such Member in relation to the HSSS screening process might be disclosed, processed, retained and used by SI and the HSSS Service Provider, including lawyers, auditors and other professional advisers of SI, (a) to enable SI and SI's Group Members to comply with legal and regulatory requirements applicable to them, including disclosure to regulators and law-enforcement authorities, (b) pursuant to these Rules and the Operating Procedures or (c) in accordance with any other agreement with the relevant Member.

6.4.9 Each Member acknowledges that the HSSS screening process and retention of data in relation to HSSS could take place outside of Hong Kong.

**6.5 CHATS Customer Cut-off, CHATS Bank Cut-off, CHATS Value Date Cut-off, CCASS Commencement, CCASS Interim Cut-off, CCASS End of Day Cut-off and CCPMP Cut-off**

6.5.1 The current time and arrangements for CHATS Customer Cut-off, CHATS Bank Cut-off, CHATS Value Date Cut-off and CCPMP Cut-off are set out in Schedule II.

6.5.2 HKICL shall be entitled to extend CHATS Customer Cut-off, CHATS Bank Cut-off and CHATS Value Date Cut-off in the circumstances provided in Rule 6.9.1.

6.5.3 Subject to any exceptional circumstances, the CHATS Customer Cut-off, CHATS Bank Cut-off and CHATS Value Date Cut-off will proceed as normal in accordance with these Rules notwithstanding any typhoon, rainstorm or Extreme Conditions.

6.5.4 The current time and arrangements for CCASS Interim Cut-off and CCASS End of Day Cut-off are set out in Schedule II. One month's prior notice will be given of any variation to Schedule II.

6.5.5 The CCASS Commencement, CCASS Interim Cut-off or CCASS End of Day Cut-off will continue in accordance with these Rules notwithstanding any typhoon, rainstorm or Extreme Conditions.

6.5.6 The CCPMP Cut-off will continue in accordance with these Rules notwithstanding any typhoon, rainstorm or Extreme Conditions.

**6.6 Returns of CHATS Transactions (other than CHATS Transactions in respect of Articles)**

6.6.1 All returns of CHATS Transactions (other than CHATS Transactions in respect of Articles) should be effected through CHATS not later than the time appointed by HKICL, such time currently being prior to the CHATS Customer Cut-off for CHATS Transactions which are customer related and CHATS Bank Cut-off for CHATS Transactions which are not customer related in each case of the Working Day immediately following the date of the original transfer, and must include in the text of the transfer the information as stipulated in the Operating Procedures.

6.6.2 A return of a CHATS Transaction (other than CHATS Transactions in respect of Articles) may only be initiated by the Receiving Member of the transfer. If a Receiving Member is unable to apply funds from a credit transfer for any reason, then that Receiving Member must send the funds actually received through CHATS back to the original Sending Member in accordance with the procedure set out in Rule 6.6.1.

**6.7 Responsibility of Direct Participants**

In addition to the other provisions of these Clearing House Rules, each Direct Participant shall be responsible for the following matters:

6.7.1 the control of access by Direct Participants to the MBT and the security of the Direct

Participant's terminal(s) (in the case of the eMBT) connecting to the SWIFT network and the eMBT or (in the case of the iMBT) connecting to the HKICL network and/or internet, as the case may be, and the iMBT (including security and confidentiality of passwords or other systems to ensure that only authorised personnel of Direct Participants may access the MBT), and lines, modems and other computer equipment relating thereto of the Direct Participant and the security of the transmission lines between the Clearing House Computer and the Direct Participant's terminals having access to the MBT;

6.7.2 the operation of all equipment and software relating to the access to the eMBT and terminal(s) connecting to the SWIFT network, or relating to the access to the iMBT and the terminal(s) connecting to the HKICL network and/or internet, as the case may be;

6.7.3 ensuring that:

(a) the access to and/or use of the MBT is in full compliance with these Rules; and

(b) all data transmitted from terminals owned by, or under its control, through which it gains access to the MBT:

(i) do not infringe the copyright or other intellectual property rights of third parties; and

(ii) do not create and/or introduce into the Clearing House Computer any virus, worms, trojan horses or other destructive or contaminating program or codes; and

it shall indemnify and hold harmless HKICL, SI and other Direct Participants against the consequences of any breach of such obligation;

6.7.4 delay or non-delivery of CHATS Transactions (other than CHATS Transactions in respect of Articles) where the delay is due to force majeure or technical failure caused by act or omission of any carrier (including, for the avoidance of doubt, SWIFT);

6.7.5 the correct dispatch to the Clearing House Computer and the correct receipt by the Clearing House Computer of all CHATS Payment Instructions, CCASS Payment Instructions, CCP Instructions, CCPMPNet Payment Instructions, CCPMPNet Optimiser Payment Instructions and CHATS Transactions (other than CHATS Transactions in respect of Articles);

6.7.6 any loss incurred due to a fraudulent transfer originating from a Direct Participant or the fraudulent insertion or alteration of a transfer between a Direct Participant and the Clearing House Computer;

6.7.7 the verification of the transfer result as shown in the MBT received from the Clearing House Computer before the processing of the transfer. If the result is not in order the Receiving Member must immediately effect a return of the transfer quoting the original transaction details and giving the reason for the return. If the transfer is returned to the Sending Member after the CHATS Customer Cut-off for CHATS Transactions which are customer related and CHATS Bank Cut-off for CHATS Transactions which are not customer related in each case immediately following the input of the transfer then any loss of interest is for the account of the Sending Member subject to Rules 6.7.8 and 6.7.9;

6.7.8 as a Sending Member, Delayed Payments in the following circumstances:

(a) if the transfer has not been accepted by the Clearing House Computer;

(b) if the Sending Member addresses a transfer incorrectly; and/or

(c) if the Sending Member ignores Clearing House Computer generated messages concerning the operational system;

6.7.9 as a Receiving Member, Delayed Payments in the following circumstances:

(a) if the Receiving Member ignores Clearing House Computer generated messages concerning the operational system;

(b) if the Receiving Member does not reconcile its settlement total as supplied by the Clearing House Computer as shown in the MBT, or through the SWIFT network or the HKICL network, and accounting totals to ensure receipt of all CHATS Transactions (other than CHATS Transactions in respect of Articles) involving funds transfers; and/or

(c) if a Receiving Member is not connected to the MBT or the SWIFT network or the HKICL network, or unable to receive information relating to transfers;

6.7.10 such Direct Participant's failure to report discrepancies for CHATS Transactions (other than CHATS Transactions in respect of Articles) as shown in the MBT to the Officer-in-Charge of HKICL within two hours of a CHATS Value Date Cut-off.

**6.8 Responsibility of Service Provider**

6.8.1 A Direct Participant may register as a Service Provider with HKICL and once its registration is successful, it shall provide HKICL with a list of its correspondent banks in accordance with the schedules and requirements specified in the Operating Procedures.

6.8.2 When a Service Provider provides HKICL with any information relating to it, in its capacity as a Service Provider, and its correspondent banks (including, without limitation, any lists and other information provided under Rule 6.8.1):

(a) it will take all reasonable steps to ensure the correctness of such information and in particular, but without limitation, the correctness of any such information provided in Electronic Media;

(b) it will authorise HKICL to disclose such information to HKICL's sub-contractor for the posting of such information on HKICL's website and to other Members or other persons; and

(c) it will indemnify HKICL and SI against all liabilities and expenses incurred by either of them arising out of or in relation to its failure to comply with Rule 6.8.2(a).

6.8.3 Notwithstanding the provisions of Rule 6.8.2, HKICL and SI shall incur no liability to any Members or any other persons arising out of or in relation to any information relating to Service Providers and their correspondent banks appearing on the HKICL's website.

6.8.4 A Service Provider which receives a Regional CHATS Payment for the account of one of its correspondent banks shall promptly on receipt thereof pay the amount of that Regional CHATS Payment to the relevant correspondent bank.

6.8.5 For the avoidance of doubt, (a) any funds transfer by a Service Provider to a correspondent bank for the purposes of a Regional CHATS Payment will not be effected through CHATS, and (b) except as provided for in Rule 6.8.4, these Rules shall not apply to any such transfer. Neither HKICL nor SI shall incur any liability arising out of or in relation to any such transfer or a Service Provider's delay or failure to pay a Regional CHATS Payment to a correspondent bank and the relevant Service Provider shall indemnify HKICL and SI in respect of all liability incurred by either of them arising out of or in relation to any such transfer or by reason of any such delay or failure.

6.8.6 A correspondent bank of a Service Provider shall not be a Member and shall have no rights or obligations vis-à-vis Members, SI or HKICL. All rights and obligations vis-à-vis Members, SI

or HKICL arising out of or in relation to the making of a Regional CHATS Payment shall be the rights and obligations of the Direct Participant making the Regional CHATS Payment and the Service Provider receiving it.

## 6.9 Emergencies

6.9.1 In the event that (i) communications between (a) the Clearing House Computer and both the SWIFT network and the HKICL network; (b) both the SWIFT network and the HKICL network and one or more of the Direct Participants; (c) the Clearing House Computer and CCASS; (d) the Clearing House Computer and CCPMP or (e) the Clearing House Computer and OTC Clear are halted, (ii) if the Clearing House Computer, CCASS or OTC Clear system is closed down, or (iii) if some other emergency affects its operation, CHATS Transactions (other than CHATS Transactions in respect of Articles) shall be handled in accordance with the Operating Procedures or, if applicable, by virtue of a Special Posting. HKICL may under the instruction of SI after SI has consulted with MA:

(a) extend the CHATS Customer Cut-off and/or CHATS Bank Cut-off and/or CHATS Value Date Cut-off and/or CCPMP Cut-off;

(b) direct any, all or some of the Direct Participants not to make payments through CHATS awaiting resolution of the problem; and/or

(c) direct such other action as it may deem necessary or as required by SI after consultation with MA.

6.9.2 If following an emergency HKSCC requires to roll back the data for system recovery all CCASS Payment Instructions in the Normal Queue and the Pending Queue will be cancelled in accordance with the Operating Procedures.

6.9.3 During any such emergency all Members should limit their communications with the Clearing House Computer and HKICL to those which are essential.

## 6.10 Receiving Members

No Receiving Member or Service Provider shall be obliged to credit any funds received by it through CHATS (other than those funds in respect of Articles) to the beneficiary's account if the instructions for the transfer are incomplete or inaccurate.

## 6.11 Special Posting

### 6.11.1 Special Posting Request

This contingency arrangement will be invoked when (a) the computer of any of the Direct Participants, or (b) the Clearing House Computer has failed to connect to the SWIFT network and the HKICL network for delivery of CHATS transactions. The Direct Participants who require Special Posting, or any Direct Participant when it is requested by HKICL to do so, should prepare a Special Posting authorisation letter and the instructions for Special Posting in electronic format and submit them to HKICL for triggering the operation of the Special Posting. A request for Special Posting shall be made during the period referred to in the Operating Procedures. Any request submitted after that period shall be subject to the prior approval of HKICL and SI (after SI has consulted with MA). Details of the notification and approval arrangements are stipulated in the Operating Procedures.

6.11.1.1 The lay-out of instructions submitted to the Clearing House by Direct Participants by Electronic Media shall comply with the requirements set out in the Operating Procedures.

6.11.1.2 Payment instructions for Supported Forward Days will not be effected by Special

Posting.

**6.11.2 Indemnity**

A Direct Participant which submits to the Clearing House instructions relating to Special Posting transactions in Electronic Media:

(a) will be responsible for the correctness of the contents of the instructions submitted;

(b) authorises HKICL not to process any one transaction which fails certain validation criteria implemented by HKICL from time to time and set out in the Operating Procedures;

(c) indemnifies HKICL and SI against all liabilities and expenses incurred by either of them as a result of any error or discrepancy in the instructions or otherwise.

**6.11.3 Settlement of Special Posting Transactions**

It is the Sending Member's responsibility (or in relation to an OTC Clear Payment Instruction, the responsibility of the paying Member of the OTC Clear Payment Instruction) to ensure that there are sufficient funds in its Designated Settlement Account for settlement of Special Posting transactions. Any Special Posting transactions not settled by the cut-off times for the respective payment instructions on the day of the request for Special Posting will be cancelled.

6.11.3.1 Any Special Posting transaction which passes validation criteria will be treated as a normal payment instruction and processed in the same way and manner as the payment instruction from which it originated.

6.11.3.2 Settlement of Special Posting transactions will be effected across the books of SI pursuant to Rules 3.1.4 and 3.1.5 by debiting the Designated Settlement Account of the Sending Member (or in relation to an OTC Clear Payment Instruction, the paying Member of the OTC Clear Payment Instruction) for the funds transferred and crediting to the Designated Settlement Account of the respective Receiving Members (or in relation to an OTC Clear Payment Instruction, the bank Member designated byOTC Clear in accordance with the Operating Procedures in relation to the settlement of OTC Clear Payment Instructions).

**6.11.4 Responsibility of Direct Participants**

6.11.4.1 Sending Members should verify the details of instructions shown on the data capture report or response file provided to them by HKICL and confirm that the Special Posting may proceed.

6.11.4.2 Sending Members should reconcile the Special Posting report produced at the end of posting provided to them by HKICL and report discrepancies to HKICL immediately.

6.11.4.3 For the avoidance of doubt, this Rule 6.11.4 does not apply to paying Members in relation to the OTC Clear Payment Instructions.

**6.12 RTGS Liquidity Optimiser**

Between the CHATS Commencement and CHATS Value Date Cut-off, RTGS Liquidity Optimiser effected through CHATS can be triggered automatically according to a pre-defined interval or manually by SI.

6.12.1 When RTGS Liquidity Optimiser process starts, eligible CHATS Transactions in the Normal Queue as specified in the Operating Procedures will be extracted ("Selected Payments").

6.12.2 The projected balance of the Designated Settlement Accounts for each paying Direct Participant

of the Selected Payments ("Selected Payment Member") based on assumed settlement of the Selected Payments will be computed in accordance with the formula as stipulated in the Operating Procedures.

6.12.3 If the projected balances of each Selected Payment Members are positive or zero, the gross amount of the Selected Payments save in respect of the CCP Instructions being extracted as Selected Payments, will each be effected through CHATS automatically and settled immediately upon completion of its processing and effected across the books of SI pursuant to Rules 3.1.4 and 3.1.5 by debiting and crediting the Designated Settlement Accounts for the funds transferred. The CCP Instructions being extracted as Selected Payments will be processed pursuant to Rules 6.3.4.3 and 6.3.4.5.

6.12.4 In case the projected balances of the Designated Settlement Account for some Selected Payment Members are negative, the system will try to exclude the Selected Payments of such Selected Payment Members based on the criteria as specified in the Operating Procedures in order to reach positive or zero projected balances of each of the Selected Payment Members. Selected Payments which are excluded from the RTGS Liquidity Optimiser will be placed back to the Normal Queue.

6.12.5 CHATS Transactions (other than CHATS Transactions in respect of Articles) received by Clearing House Computer after commencement of the RTGS Liquidity Optimiser process will not be processed as part of that process and will be placed at the end of the Normal Queue and processed in due course in accordance with these Rules provided that Direct Debit Instructions will be placed at the top of the Normal Queue.

6.12.6 Under any of the following situations, the process of RTGS Liquidity Optimiser will be terminated:

(a) all Selected Payments are excluded in the process of Rule 6.12.4;

(b) the process of the RTGS Liquidity Optimiser has not been completed prior to CHATS Value Date Cut-off;

(c) any Selected Payment Member(s) or relevant Receiving Member(s) is/are in default or if it is/are insolvent;

(d) the processing time exceeds the maximum processing time defined for each RTGS Liquidity Optimiser run from time to time as stipulated in the Operating Procedures; or

(e) any of the specific critical events which are stipulated in the Operating Procedures is activated.

6.12.7 On termination of the process of RTGS Liquidity Optimiser pursuant to Rule 6.12.6, all relevant Selected Payments and any CHATS Transactions (other than CHATS Transactions in respect of Articles) received by Clearing House Computer after commencement of the process of RTGS Liquidity Optimiser will be reinstated in the Normal Queue as if the process of the RTGS Liquidity Optimiser had not been commenced.

6.12.8 Requests for re-sequencing and cancellation of its payments in the Normal Queue (including the Selected Payments and other CHATS Transactions (other than CHATS Transactions in respect of Articles)) initiated by the Selected Payment Member or SI after the start of RTGS Liquidity Optimiser process and before completion or termination of the process will be rejected.

### 6.13 Interbank Intraday Liquidity Facility

The IILF shall be made available through CHATS between the CHATS Commencement and CHATS Value Date Cut-off by Liquidity Providers to Liquidity Consumers in accordance with this Rule.

6.13.1 Liquidity Providers shall indicate their willingness to participate in the IILF by registering with HKICL. Liquidity Providers shall also on behalf of the Liquidity Consumers with whom they have agreed to provide liquidity through IILF register those Liquidity Consumers with HKICL indicating their Liquidity Consumers' desire to obtain liquidity from the Liquidity Providers under the IILF. Liquidity Consumers may only obtain liquidity through IILF from one Liquidity Provider and:

(a) prior to registration Liquidity Providers and Liquidity Consumers shall separately agree among themselves on a bilateral basis the terms on which liquidity through IILF is provided including the intra-day and overnight interest rates;

(b) after registration, the relevant Liquidity Provider shall maintain in the records of HKICL via the MBT:

(i) the limit of the IILF for the time being assigned by it to each Liquidity Consumer, which limit may be amended by the Liquidity Provider via the MBT at any time without prior notice to HKICL or the Liquidity Consumer;

(ii) the priority arrangement by it to each Liquidity Consumer in the event that it has more than one Liquidity Consumer and provision of liquidity is triggered by more than one Liquidity Consumer at the same time and all such requests cannot be met in full; and

(iii) the intra-day and overnight interest rates agreed with each Liquidity Consumer;

(c) HKICL shall publicise on the members' section of its website the names and contact details of registered Liquidity Providers.

6.13.2 The provision of liquidity through IILF process is triggered automatically during the RTGS Liquidity Optimiser process.

6.13.3 If a Liquidity Provider is a Selected Payment Member in the RTGS Liquidity Optimiser process, the provision of liquidity through IILF by such Liquidity Provider will not be triggered in that process.

6.13.4 If a Liquidity Provider is not a Selected Payment Member in the RTGS Liquidity Optimiser process and a Liquidity Consumer to which the Liquidity Provider has agreed to provide liquidity through IILF is a Selected Payment Member in the RTGS Liquidity Optimiser process, the projected balance as stipulated in Rule 6.12.2 shall take into account the available IILF limit specified in Rule 6.13.1(b)(i) to the extent required to make the projected balance of the Liquidity Consumer positive or zero. Should the IILF be taken into account to the extent required to make the projected balance of a Liquidity Consumer positive or zero as provided in the previous sentence, there shall be a deemed request for the provision of liquidity through IILF by the Liquidity Consumer in that amount from the Liquidity Provider to the Liquidity Consumer. The ultimate liquidity drawn by Liquidity Consumer out of the available IILF limit and the detailed arrangements are stipulated in the Operating Procedures.

6.13.5 If more than one Liquidity Consumer are deemed to make a request pursuant to Rule 6.13.4 from the same Liquidity Provider, and such Liquidity Provider does not have sufficient funds to fulfil the requests of all such Liquidity Consumers, the available amounts under the IILF from that Liquidity Provider will be allocated to each Liquidity Consumer according to the priority specified by the Liquidity Provider in Rule 6.13.1(b)(ii).

6.13.6 The lending under the IILF is effected through the settlement of a CHATS Payment Instruction Value Today with a designated payment code indicating that it is a payment of principal under the IILF ("IILF Payment Instruction") generated by HKICL to debit the Liquidity Provider's Settlement Account and credit the Liquidity Consumer's Settlement Account.

6.13.7 Liquidity provision through IILF by a Liquidity Provider to one or more of its Liquidity

Consumers may also be triggered manually by such Liquidity Provider inputting an IILF Payment Instruction.

6.13.8 For each settled IILF Payment Instruction, the Liquidity Consumer shall be under an obligation to repay the Liquidity Provider the amount of the IILF Payment Instruction (i.e. principal) and an intra-day interest calculated based on the IILF Payment Instruction. The intra-day interest rate is assigned by the Liquidity Provider to each of its Liquidity Consumer(s) by separate agreement and maintained by the Liquidity Provider in the records of HKICL via the MBT under Rule 6.13.1(b)(iii).

6.13.9 The total outstanding IILF repayable amount of a Liquidity Consumer in respect of each Working Day includes:

(a) the amount of all settled IILF Payment Instruction(s) of the current day not yet repaid by the Liquidity Consumer; and

(b) intra-day interest of the current day not yet paid by the Liquidity Consumer for which the calculation of such interest is stipulated in the Operating Procedures.

6.13.10 If there is any outstanding IILF repayable amount of a Liquidity Consumer as defined in Rule 6.13.9, the repayment process for the Liquidity Consumer will be triggered automatically by HKICL according to the scheduled repayment time on each Working Day determined by SI and subject to change from time to time. CHATS Payment Instructions Value Today with different designated payment codes indicating they are either repayments of outstanding IILF Payment Instructions or payments of outstanding intra-day interest under the IILF (collectively known as "IILF Repayment Instructions") will be generated by HKICL to debit the Liquidity Consumer's Settlement Account and credit the Liquidity Provider's Settlement Account to repay outstanding (i) IILF Payment Instruction (i.e. principal); and (ii) intra-day interest separately.

6.13.11 An IILF Repayment Instruction may also be triggered manually by a Liquidity Consumer to its Liquidity Provider by the Liquidity Consumer inputting such an instruction.

6.13.12 If the Liquidity Consumer has insufficient funds to meet the total outstanding IILF repayable amount, the IILF Repayment Instructions will still be generated by HKICL to partially repay the outstanding IILF repayable amount. The detailed arrangements are stipulated in the Operating Procedures.

6.13.13 If there is any outstanding IILF Payment Instruction of Liquidity Consumer after CHATS Value Date Cut-off, an overnight interest assigned by the Liquidity Provider to the Liquidity Consumer and maintained by the Liquidity Provider in the records of HKICL via the MBT under Rule 6.13.1(b)(iii) shall apply. HKICL shall then calculate the overnight interest according to the formula stipulated in the Operating Procedures and provide such information to the Liquidity Provider and Liquidity Consumer. However, the overnight interest, together with the outstanding IILF repayable amount, shall be settled outside of the CHATS after CHATS Value Date Cut-off between the Liquidity Provider and Liquidity Consumer, and SI and HKICL shall have no further involvement.

# Part VII The processing of funds transfers in respect of Articles

## 7.1 Provisions relating to the processing of funds transfers in respect of Articles

### 7.1.1 Timetable

(a) In the interests of Members, the times for the delivery of Articles to the Clearing House and relating to the various processes of clearing and/or settlement may be amended at the discretion of HKICL upon prior consultation with MA and at least 3 days' notice of any amendment will be given by HKICL to all Members. The timetables for the delivery of Articles for clearing and/or settlement and Unpaid Articles are set out in Schedule III and the Operating Procedures. Each of such times is hereinafter, separately, referred to as "the appointed time".

(b) Subject to Rule 7.1.1(c), HKICL will have the discretion to postpone or extend any of the appointed times (including the appointed time for: a Bulk Clearing Settlement Run; the delivery of Unpaid Articles and/or Articles for clearing and/or settlement) in cases of emergencies or exceptional circumstances due to reasons of an operational or technical nature (e.g. breakdown in facilities, power failure etc.). In such cases, HKICL shall notify all Members by a broadcast in the manner as stipulated in the Operating Procedures, and shall notify HKSCC and OTC Clear in a manner separately agreed with them, or in the case of users of the e-Cheque Presentment Service shall advise Members and publish on any website, mobile application or on any other system on which an e-Cheque Presentment Service is made available notice of the revision of the appointed time(s) and such revision shall be binding on the Members.

(c) In the case of CHATS Commencement being delayed due to urgent system maintenance and when it is reasonably certain that the normal operation of CHATS can resume within the same Working Day, the affected appointed times shall be adjusted according to the principles stipulated in Rules 7.10. HKICL will notify all Members by a broadcast in the manner as stipulated in the Operating Procedures the revision of the appointed time(s) and such revision shall be binding on Members.

### 7.1.2 Delivery

All Articles (or information relating thereto and/or (where permitted) images thereof contained in Electronic Media) to be processed in a Bulk Clearing Settlement Run must be delivered at the Clearing House by the relevant appointed time.

HKICL, after consultation with MA and SI, has authority to refuse to accept Articles for clearing and settlement after the relevant appointed time.

Members may appoint staff members or any other person to act as their agents for the purpose of delivery and collection of Articles and Unpaid Articles to or from the Clearing House. Such persons shall bear authorisation cards issued by HKICL. Each Member shall be responsible for all acts and omissions of its agents who shall be regulated in accordance with the Operating Procedures.

### 7.1.3 List of Articles

Lists of Articles (except those which are to pass through electronic clearing) containing such information as is from time to time required must accompany all deliveries of Articles for clearing and Unpaid Articles. This Rule 7.1.3 does not apply to Credit Card Items.

### 7.1.4 Settlement

(a) The processes for the settlement of Articles (other than OTC Items and Credit Card Items) are set out in Schedule I and detailed provisions relating to the settlement of such items are set out in Schedule III.

(b) The process for the settlement of Credit Card Items is set out in Part IV of Schedule III.

(c) The process for the settlement of OTC Items is set out in Part V of Schedule III.

**7.1.5 Returned E-bill Payments and Unpaid Articles**

(a) All Returned E-bill Payments and Unpaid Articles shall be delivered to the Clearing House by the relevant appointed time. HKICL has authority to refuse to accept Returned E-bill Payments and Unpaid Articles delivered to it after the relevant appointed time.

(b) Returned E-bill Payments and Unpaid Articles returned in physical form shall be delivered to the Clearing House accompanied by a list containing such information as is currently required.

(c) Returned E-bill Payments and Unpaid Articles in respect of e-Cheques shall be delivered to the Clearing House in Electronic Media unless otherwise permitted by HKICL.

(d) Unpaid Articles of Paper Cheques shall be delivered to the Clearing House in Electronic Media in accordance with the Operating Procedures unless otherwise permitted by HKICL. Unpaid Articles of SZ Cheque shall be dealt with in accordance with paragraph D(2) of Part III of Schedule III.

(e) [This provision has been left blank intentionally]

(f) This Rule 7.1.5 applies to Paper Cheques initially exchanged between Group A Members pursuant to Rule 7.1.9, but does not apply to Credit Card Items.

**7.1.6 Wrongly Delivered Articles**

Articles wrongly delivered through the clearing process should be returned to the Clearing House with Unpaid Articles. A Member receiving a wrongly delivered Article shall give immediate telephone notice to HKICL, which will advise the Member by or through which the Article is payable. This Rule 7.1.6 does not apply to Credit Card Items, CCASS Participant Items, E-bill Payments, Returned E-bill Payments, SCCASS Participant Items and OTC Items.

**7.1.7 Articles Returned to a Wrong Party**

If any E-bill Payment, CCASS Investor Item, Paper Cheque or e-Cheque Payment is returned to a wrong party as a Returned E-bill Payment or Unpaid Article, the Member discovering the error should advise HKICL of the details and HKICL should then notify the Member concerned of the error and the amount payable or receivable (including the amount payable or receivable under the Interest Adjustment Scheme) by each of them in order to rectify the error and the Member from whom a payment is due should effect the payment by means of a CHATS Payment Instruction immediately. The Member which made the error will be responsible for the re-delivery of the Returned E-bill Payment or the Unpaid Article to the correct party.

**7.1.8 Direct Presentation of Articles**

These Clearing House Rules do not deprive any Member of the right to present an Article (other than e-Cheque) direct to the Member by or through which that Article is payable for payment in cash.

**7.1.9 Clearing without Delivery of Paper Cheques by Group A Members (other than SZ Cheques)**

Group A Members may after giving 60 days' notice in writing to HKICL:

(a) exchange physical Paper Cheques and/or images of Paper Cheques in Electronic Media among themselves without delivery to the Clearing House; and

(b) deliver information relating to such Paper Cheques by Electronic Media to the Clearing House (such information to be delivered to the Clearing House by each Group A Member concerned) for clearing without physical delivery of such Paper Cheques and without delivery of images of such Paper Cheques in Electronic Media to the Clearing House.

Group A Members who have given such notice may by 60 days' prior notice in writing to HKICL revert to exchange of Paper Cheques through the Clearing House in accordance with Rule 7.5.1. All such notices must be given on behalf of all the Group A Members participating in the same exchange arrangement. Notices given under this Rule may not be given more frequently than once per calendar year. Group A Members who exchange Paper Cheques among themselves in the manner contemplated by this Rule shall ensure that each Paper Cheque that is cleared pursuant to an exchange among themselves in the manner contemplated by this Rule shall bear a notation with the word "clearing" and stating the date of presentation. A Paper Cheque which has been exchanged between Group A Members but is not paid shall be returned to the Clearing House pursuant to Rule 7.1.5. This Rule does not apply to SZ Cheques.

## 7.2 Value Date of Articles

### 7.2.1 Inter-Member Level

(a) The value date of payment of an Article (other than Credit Card Items, E-bill Payments, e-Cheques, Returned E-bill Payments, SCCASS Participant Items (but including further amendments to SCCASS Participant Items reported by Members to CCASS after completion of the Bulk Clearing Settlement Run for SCCASS Participant Items but before 20.00 hours on Day D) and OTC Items) cleared and/or settled through CHATS at the inter-Member level shall be the Working Day immediately following the day of presentation of such Article to the Clearing House for clearing, except as otherwise provided in Schedule III.

(b) The value date of payment of e-Cheques cleared and settled through CHATS at the inter-Member level shall be the Working Day immediately following the day of generation of the relevant e-Cheque Payments by HKICL.

(c) The value date of payment of Credit Card Items, E-bill Payments, Returned E-bill Payments, SCCASS Participant Items (but excluding further amendments to SCCASS Participant Items reported by Members to CCASS after completion of the Bulk Clearing Settlement Run for SCCASS Participant Items but before 20.00 hours on Day D) and OTC Items at the inter-Member level shall be the Working Day of presentation of such Credit Card Items, E-bill Payments, Returned E-bill Payments, SCCASS Participant Items and OTC Items to the Clearing House for clearing.

### 7.2.2 Member-customer Level

(a) Notwithstanding Rule 7.2.1 (a) and (b) and subject to Rule 7.2.2 (b), at the Member-customer level, payment of an Article (except e-Cheques and Returned E-bill Payments) shall be valued the same day as the day of presentation of that Article by the customer of a Member to the Member concerned; and payment of e-Cheques shall be valued at the Member-customer level on the day of generation of the relevant e-Cheque Payments by HKICL. This Rule 7.2.2 does not apply to Credit Card Items.

(b) At the Member-customer level, payment of a Returned E-bill Payment due to reasons other than refund shall be valued on the Working Day of original presentation of such E-bill Payment which needs to be returned to the presenting Member.

### 7.3 Interest Adjustment Scheme

In order to avoid arbitrage and to deal fairly with the situation created by the difference between the value date of payments of Articles (except Credit Card Items, E-bill Payments (but including Returned E-bill Payments), SCCASS Participant Items (but including further amendments to SCCASS Participant Items reported by Members to CCASS after completion of the Bulk Clearing Settlement Run for SCCASS Participant Items but before 20.00 hours on Day D) and OTC Items) at the inter-Member level and the Member-customer level, a Direct Participant which is required to pay a Settlement Amount in a Bulk Clearing Settlement Run will pay, and a Direct Participant which is entitled to receive a Settlement Amount in the same Bulk Clearing Settlement Run will receive, interest on their respective Settlement Amount in accordance with the provisions of the Interest Adjustment Scheme set out in Schedule IV. References to "Settlement Amount" in this Rule 7.3 exclude interest payable under the Interest Adjustment Scheme. The Interest Adjustment Scheme does not apply to amounts payable or receivable in a Bulk Clearing Settlement Run of Credit Card Items, E-bill Payments (but including Returned E-bill Payments), SCCASS Participant Items (other than further amendments to SCCASS Participant Items reported by Members to CCASS after completion of the Bulk Clearing Settlement Run for SCCASS Participant Items but before 20.00 hours on Day D) and OTC Items.

### 7.4 Indemnity

7.4.1 Subject to Rule 7.4.2, a Member (including in its capacity of an agent bank of a Credit Card Company and, where applicable, as the SZ Agent or the MC Agent) which delivers to the Clearing House information relating to Articles, Unpaid Articles of Paper Cheques and an image of a Paper Cheque itself in Electronic Media (whether or not it also delivers the related Paper Cheque), Unpaid Articles in respect of e-Cheques, return of presented e-Cheques by payee bank Members pursuant to Rule 7.6.5.4 ("return of presented e-Cheques"):

(a) will be responsible for the correctness of the contents in the Electronic Media;

(b) authorises HKICL to rely exclusively on the relevant information relating to the Articles, Unpaid Articles in respect of e-Cheques, return of presented e-Cheques, Unpaid Articles of Paper Cheques and on the image of the Paper Cheque without making any other independent verification of the Articles, Unpaid Articles in respect of e-Cheques, return of presented e-Cheques and Unpaid Articles of Paper Cheques;

(c) authorises HKICL to rely exclusively on the Electronic Records of presented e-Cheques, Unpaid Articles in respect of e-Cheques and return of presented e-Cheques should such Electronic Records fulfil duplicate presentment checking and validations as defined in the Operating Procedures, without making any other independent verification of the presented e-Cheques, Unpaid Articles in respect of e-Cheques and return of presented e-Cheques; and

(d) undertakes to indemnify SI and HKICL against all liabilities and expenses incurred by either of them arising out of or as a result of any error in instructions or discrepancy between such information and the related Articles, Unpaid Articles of Paper Cheques, Unpaid Articles in respect of e-Cheques, return of presented e-Cheques, any discrepancy between the original Paper Cheque and an image of the Paper Cheque, and any discrepancy arising from the failure of any e-Cheque format used by the Member to comply with the lay-out requirements stipulated in the Operating Procedures.

This Rule does not apply to SZ Cheques.

7.4.2 Notwithstanding the provisions of Rule 7.4.1:

(a) (i) no Group A Member shall incur any liability to any other Member or HKICL; and

(ii) HKICL shall incur no liability to any Member

arising out of an image of a Paper Cheque or information relating to a Paper Cheque in Electronic Media not corresponding with the original of the Paper Cheque as long as the Group A Member or HKICL as the case may be can demonstrate that in production of the image of the Paper Cheque or information relating to the Paper Cheque, it has followed a Compliance Assessment Programme for Cheque Imaging Systems and Related Processes as amended by the Group A Member or HKICL (as appropriate) from time to time at its discretion; and

(b) SI shall incur no liability to any Member or HKICL arising out of an image of a Paper Cheque or information relating to a Paper Cheque in Electronic Media not corresponding with the original of the Paper Cheque.

## 7.5 Special Rules for Paper Cheques

The following Rules shall apply to clearing Paper Cheques:

### 7.5.1 Presentation of Paper Cheques

Save as hereinafter provided, Paper Cheques shall be presented to the Clearing House and forwarded by the Clearing House to the Member on which the Paper Cheques are drawn by delivery of their images in Electronic Media provided however that:

(a) Presentation of an image of a Paper Cheque by Group B Members will be effected by the Group B Members delivering the physical Paper Cheque to the Clearing House for HKICL to produce the image of the Paper Cheque for the purpose of clearing and settlement;

(b) Presentation of SZ Cheques shall be made physically;

(c) In respect of any Paper Cheque presented by an image of the Paper Cheque in Electronic Media, the Member on whom that Paper Cheque is drawn may require it to be presented physically in accordance with the Operating Procedures;

(d) Paper Cheques may be cleared by Group A Members without delivery of the Paper Cheques to the Clearing House in accordance with the provisions of Rule 7.1.9. In the event of the giving of a notice to HKICL to revert to exchange of Paper Cheques through the Clearing House presentation of Paper Cheques shall be subject to the provisions of this Rule.

### 7.5.2 Stamps

(a) All Paper Cheques which have been delivered by Group A Members to the Clearing House for the purpose of clearing shall as evidence of such delivery and clearing be impressed by Group A Members with a stamp on the reverse with the word "Clearing", the date of presentation and the name of the presenting Group A Members.

(b) All Paper Cheques which have been delivered by Group B Members for the purpose of clearing pursuant to Rule 7.5.1(a) shall as evidence of such delivery and clearing be impressed by HKICL with a stamp on the reverse with the word "Clearing", the date of presentation and the name of HKICL.

(c) All SZ Cheques which have been delivered physically to the Clearing House pursuant to Rule 7.5.1(b) for the purpose of clearing shall as evidence of such delivery and clearing be impressed with HKICL's clearing stamp on the back.

(d) Members and the SZ Agent (for SZ Banks) shall not return Paper Cheques unpaid on the ground that they do not bear the appropriate stamp, but shall liaise with the relevant Group A Member or HKICL (as appropriate) for confirmation.

(e) In order to identify the presenting Member, all Paper Cheques must be enfaced by the relevant presenting Member with a crossing stamp bearing the presenting Member's name.

**7.5.3 Endorsement of Paper Cheques and Responsibility for Endorsement**

All Paper Cheques to be cleared and where appropriate images of Paper Cheques should be properly endorsed before being sent to the Clearing House.

**7.5.4** [This provision has been left blank intentionally]

**7.5.5** [This provision has been left blank intentionally]

**7.5.6** [This provision has been left blank intentionally]

**7.5.7 Paper Cheques Lost or Destroyed**

7.5.7.1 In the event of loss or destruction of a Paper Cheque outside the Clearing House, the presenting Member shall arrange settlement through the Clearing House or with the Member on whom the Paper Cheque is drawn in accordance with the Operating Procedures and shall submit a certified copy of the lost or destroyed Paper Cheque:

(a) to HKICL in the event of settlement of the Paper Cheque through the Clearing House, and upon such submission to HKICL, the presenting Member shall be deemed as having irrevocably (save where otherwise provided in this Rule) and unconditionally agreed to indemnify and hold each of SI, HKICL and the drawee Member on which the Paper Cheque is drawn harmless from and against all losses, costs, claims or demands arising as a result of HKICL clearing and the drawee Member making payment against the certified copy of the Paper Cheque rather than the original including (but without prejudice to the generality of the foregoing) any loss, cost, claim or demand arising out of the drawee Member being required subsequently to make payment against the original of the Paper Cheque; or

(b) to the Member on whom the Paper Cheque is drawn in the event of settlement between the presenting Member and the Member on whom the Paper Cheque is drawn, and upon such submission to the Member on whom the Paper Cheque is drawn, the presenting Member shall be deemed as having irrevocably (save as otherwise provided in this Rule) and unconditionally agreed to indemnify and hold the drawee Member harmless from and against all losses, costs, claims or demands arising as a result of the drawee Member making payment against the certified copy of the Paper Cheque rather than the original including (but without prejudice to the generality of the foregoing) any loss, cost, claim or demand arising out of the drawee Member being required subsequently to make payment against the original of the Paper Cheque.

Where

(i) two hours before the submission deadline of Unpaid Articles of Paper Cheque, or

(ii) when agreed between the presenting Member and the drawee Member, before any other lead time prior to such submission deadline,

the original of the Paper Cheque is recovered and is delivered directly to the drawee Member concerned (for settlement with the drawee Member or for settlement through the Clearing House), upon such delivery of the original Paper Cheque for settlement,

the indemnity given by the presenting Member under paragraph (a) or (b) above in this Rule (as the case may be) shall be treated as having been revoked.

7.5.7.2 In the case of a Paper Cheque presented by a Group B Member is lost or destroyed within the Clearing House:

(a) where details of such Paper Cheque have already been captured by the Clearing House Computer, HKICL will notify the Member on whom the Paper Cheque was drawn in writing and provide details of the Paper Cheque concerned;

(b) where details of such Paper Cheque have not yet been captured by the Clearing House Computer, HKICL shall forthwith give notice to the Group B Member concerned of the loss or destruction of its outward clearing for that day;

(c) upon receipt of notice of loss or destruction from HKICL, the Group B Member concerned shall forthwith arrange for copies of the Paper Cheque which have been so lost or destroyed to be reproduced from its records and submitted to the Clearing House in batches;

(d) each copy referred to in Rule 7.5.7.2(c) shall bear the certification signed by an authorised signatory of the presenting Group B Member.

7.5.7.3 Any copy of a Paper Cheque presented by a Group B Member bearing the certification referred to in Rule 7.5.7.2 above shall be treated by the drawee Member in all respects as though it were the original and be dealt with accordingly.

7.5.7.4 The provisions of Rules 7.5.7.1 to 7.5.7.3 do not apply to SZ Cheques. In the event of loss or destruction of an SZ Cheque within HKICL's or a Member's premises, HKICL or, as the case may be, the Member concerned shall forthwith give a written confirmation thereof to each presenting Member concerned for necessary action.

### 7.5.8 Lay-out Requirements

Lay-out requirements for data and images of Paper Cheques and data in respect of Unpaid Articles of Paper Cheques exchanged between the Clearing House and Members by Electronic Media must comply with the specifications set out from time to time by HKICL. The specifications currently applicable are set out in the Operating Procedures. HKICL is entitled not to accept such exchanges which do not conform with the above-mentioned specifications. This Rule 7.5.8 does not apply to SZ Cheques.

### 7.5.9 SZ Banks

7.5.9.1 In relation to Paper Cheques payable to SZ Banks, references in these Rules to the presenting Member are references to the SZ Agent.

7.5.9.2 In relation to SZ Cheques or Paper Cheques payable by or to SZ Banks, references in these Rules to amounts payable by or to a Member where that Member is the SZ Agent include references to the amounts payable by or to the relevant SZ Banks (which amounts shall be paid by or to the SZ Agent).

### 7.5.10 Collection and Payment of Paper Cheques in Macau

7.5.10.1 Paper Cheques collected from MC Banks shall be presented to HKICL by the MC Agent. In relation to items payable to MC Banks, references in these Rules to the presenting Member are references to the MC Agent.

7.5.10.2 In relation to items payable to MC Banks, references in these Rules to amounts payable

to a Member where that Member is the MC Agent include references to the amounts payable to the relevant MC Banks (which amounts shall be paid to the MC Agent).

## 7.6 Special Rules for ECG Items

**7.6.1** HKICL may with SI's approval decide from time to time what electronic payment items may be accepted for clearing by the Clearing House on a bulk clearing and settlement basis. Currently, CCASS Items, OTC Items, E-bill Payments, Returned E-bill Payments, e-Cheques and Unpaid Articles in respect of e-Cheques are accepted for clearing by the Clearing House.

### 7.6.2 CCASS Items

Paperless direct credits and direct debits addressed to participating Members may be accepted for clearing when presented for clearing by HKSCC for this purpose.

### 7.6.3 OTC Items

Paperless direct credits and direct debits addressed to participating Members may be accepted for clearing when presented by OTC Clear for this purpose.

### 7.6.4 E-bill Payments and Returned E-bill Payments

7.6.4.1 Paperless direct credits in respect of electronic bill payments and charity donation payments addressed to participating Members to be cleared and settled on the same Working Day may be accepted. Members to whom direct credits are addressed will return to HKICL any direct credits which cannot be credited for any reasons as stipulated in the Operating Procedures or for any other reasons which make it impossible for a direct credit to be credited to an account or for refund purpose. Such returns must be made within the periods defined for different return reasons as stipulated in the Operating Procedures.

7.6.4.2 Compensation for Returned E-bill Payments due to refund:

7.6.4.2.1 Members making payments shall pay Members receiving payments on the date of settlement of the relevant Bulk Clearing Settlement Run a compensation calculated on the amount of the payment of the Returned E-bill Payments due to refund for the period between the Working Day of presentation of such Returned E-bill Payments due to refund (Day R) and the preceding Working Day (Day R-1) at the Interest Adjustment Rate of Day R-1.

7.6.4.2.2 In case of holidays and Non-Clearing Day etc. on which the settlement of the Returned E-bill Payments due to refund concerned has to be postponed and compensation is payable for more than one day:

(a) the rate applicable to the Working Day preceding the date of presentation of such Returned E-bill Payments due to refund (Day R-1) for the calculation of compensation as stipulated in Rule 7.6.4.2.1 shall be applied throughout the whole period of the relevant compensation; and

(b) simple interest shall be used in accordance with interbank money market practice.

### 7.6.5 e-Cheques

#### 7.6.5.1 Presentment of e-Cheques

(a) Presentment of e-Cheques shall only be effected in Electronic Media by (i) presentment by a Member via the Payee Bank Presentment Service, (ii) presentment by an e-Cheque Drop Box User via the e-Cheque Drop Box Service, (iii) presentment in Shenzhen, delivery to HKICL by the SZ Agent and collection by HKICL on behalf of the SZ Agent acting on behalf of the SZ Settlement Centre or (iv) presentment via any other e-Cheque Presentment Service in accordance with the rules and requirements applicable thereto.

(b) Payer bank Members should follow the waiver of presentment requirement as stipulated in the Operating Procedures. Notwithstanding the Bills of Exchange Ordinance (Cap. 19 of the Laws of Hong Kong), no Member shall demand any other form of presentation of an e-Cheque.

(c) If any Member shall notwithstanding this Rule require any other Member to make any presentation of an e-Cheque other than in the manner set out in this Rule, the Member making such a requirement shall indemnify the Member who is required to make such presentation, HKICL and SI from and against any loss, liability, costs, claims or demands incurred by any of them in respect thereof.

#### 7.6.5.2 Generation of e-Cheque Payments

HKICL shall generate e-Cheque Payments at the appointed time on each Working Day as stipulated in Schedule III for the e-Cheques presented in accordance with Rule 7.6.5.1(a) and are not returned by the corresponding payee bank Members.

#### 7.6.5.3 Responsibilities of payer bank Members

(a) Notwithstanding Rule 7.6.6, a Member which issues e-Cheques upon the request of its customers should ensure that there is no discrepancy between the information shown on the display layer of an e-Cheque it issues and the corresponding information carried in the data layer of that e-Cheque, unless the difference is intentionally and reasonably made and is deemed necessary for better clarity and the information in the display layer and the data layer remains correct.

(b) Payer bank Members are responsible for identifying fraudulent e-Cheques, notwithstanding that HKICL may also check the Digital Signature of the payer bank Member on each presented e-Cheque and validate it in accordance with the Operating Procedures. None of HKICL, MA or SI is liable under any circumstances for any losses or expenses whatsoever and howsoever arising out of or in connection with HKICL's identification or failure to identify any relevant fraudulent e-Cheque. None of HKICL, MA or SI shall be liable or responsible for any fraud or unlawful activities practiced by a third party or any loss or damage suffered or incurred by a Member, an e-Cheque Drop Box User, or any other person arising out of or in connection with the provision of the e-Cheque Presentment Service or the presentation of e-Cheques through the SZ Agent.

#### 7.6.5.4 Responsibilities of payee bank Members

If a payee bank Member is unable to credit an e-Cheque presented in accordance with Rule 7.6.5.1(a) into the relevant account for any reason, then that payee bank Member must return such e-Cheque to HKICL before the designated cut-off times stipulated in Schedule III and the Operating Procedures and HKICL shall exclude such e-Cheque from the generation of e-Cheque Payments for clearing.

#### 7.6.5.5 e-Cheque Drop Box Service

Rule 7.6.5.5 only applies to Members who have subscribed to the e-Cheque Drop Box Service:

(a) HKICL is the owner of the copyright subsisting in the BKANVM API, including all source and machine codes and the BKANVM Development Guide. Members shall use the BKANVM API only for the purpose of the development of BKANVM.

(b) A Member who provides a BKANVM or other related validation rules to HKICL authorises HKICL to rely exclusively on the function of the BKANVM and the validation rules irrespective of the correctness of the contents of the BKANVM. HKICL shall not be liable for any inaccuracies, omissions, mistakes or errors in any transactions, directly or indirectly resulting from the use of or any malfunction of a BKANVM, or any error in the validation rules, or for any economic or other loss which may be directly or indirectly suffered or incurred.

(c) HKICL shall use the BKANVM and the other related validation rules provided by a Member only for the purpose stipulated in the Operating Procedures without further modification, enhancement or conversion.

(d) A Member may terminate the application of a BKANVM or other related validation rules in the e-Cheque Drop Box Service in accordance with the Operating Procedures. Upon receipt of a termination request from a Member, HKICL will withdraw such BKANVM or validation rules from the e-Cheque Drop Box Service as soon as practicable.

#### 7.6.5.6 SZ Banks

(a) In relation to e-Cheques payable to SZ Banks, references in these Rules to the presenting Member are references to the SZ Agent.

(b) In relation to e-Cheques payable to SZ Banks, references in these Rules to amounts payable to a Member where that Member is the SZ Agent include references to the amounts payable to the relevant SZ Banks (which amounts shall be paid to the SZ Agent).

### 7.6.6 Lay-out Requirements

Lay-out requirements for electronic debits, credits, e-Cheques and the relevant information related thereto, return of presented e-Cheques, Returned E-bill Payments and Unpaid Articles in respect of e-Cheques exchanged between the Clearing House and Members by Electronic Media must comply with the specifications set out from time to time by HKICL. The specifications currently applicable are set out in the Operating Procedures. HKICL is entitled not to accept such exchanges which do not conform with the above-mentioned specifications.

## 7.7 Special Rules for Credit Card Items

7.7.1 Payment instructions of net settlement amounts payable or receivable by Credit Card Members

who are Direct Participants, or Settlement Agents in respect of settlement of transactions processed by a Credit Card Company for its Credit Card Members may be accepted for settlement when presented by a Card Agent to the Clearing House.

7.7.2 Each Card Agent shall deliver the settlement file containing Credit Card Items to the Clearing House for processing at least one hour before the commencement of the Bulk Clearing Settlement Run for Credit Card Items.

7.7.3 Payment instructions shall be delivered by a Card Agent to the Clearing House by Electronic Media in a format agreed between HKICL and the Card Agent, or in such other format and through such other media as may be agreed from time to time between HKICL and the Card Agent.

7.7.4 HKICL will charge a Card Agent for HKICL's services in respect of the settlement of payment instructions provided by the Card Agent in an amount separately agreed between HKICL and the Card Agent.

### 7.8 SZ Agent

Amounts payable to Members on SZ Cheques (net of Unpaid Articles in respect of SZ Cheques but including interest under the Interest Adjustment Scheme) shall be debited from the SZ Agent's Settlement Account. Amounts payable by Members to SZ Banks are regarded to have been paid when credit has been given to the SZ Agent in respect of such amounts in a settlement through the Clearing House.

### 7.9 MC Agent

Amounts payable by Members to MC Banks are regarded to have been paid when credit has been given to the MC Agent in respect of such amounts in a settlement through the Clearing House.

### 7.10 Guiding Principles for Clearing, Return and Settlement of Articles due to Delay of CHATS Commencement

7.10.1 At the discretion of HKICL after consultation with MA and SI, the principles under Rule 7.10 shall be applicable only for the situation when the delay of CHATS Commencement is due to urgent system maintenance and where it is reasonably certain that the normal operation of CHATS can resume within the same Working Day and the start up time can be anticipated under the notification of HKICL as stipulated in Rule 7.1.1(c). Otherwise, contingency measures stipulated in Rules 6.9 shall apply.

7.10.2 Subject to Rule 7.10.1, 7.10.3, 7.10.4, 7.10.5 and 7.10.6, the clearing and return process of Articles shall proceed according to the original schedule.

7.10.3 The clearing and return process of Articles shall proceed only in the case when the clearing systems for all Articles are available.

7.10.4 Subject to Rule 7.10.5, all Bulk Clearing Settlement Run(s) that cannot be executed due to delay in CHATS Commencement (delayed Bulk Clearing Settlement Run) shall be executed in their original sequential order one by one consecutively once CHATS has resumed.

7.10.5 If the first (one or more) delayed Bulk Clearing Settlement Run(s) cannot be completed before the beginning of the next immediate scheduled Bulk Clearing Settlement Run after the revised CHATS Commencement, priority shall be given to the next immediate Bulk Clearing Settlement Run, followed by the delayed Bulk Clearing Settlement Run(s).

7.10.6 In the case where CHATS Commencement cannot occur on a Working Day, the delayed Bulk Clearing Settlement Runs can, at the discretion of HKICL after consultation with MA and SI, be deferred to the time at which CHATS can resume for value as at the Working Day on which the Bulk Clearing Settlement Runs were originally scheduled and this Rule shall apply to them accordingly.

# Part VIII Miscellaneous

## 8.1 PDPO

8.1.1 Each Member represents to HKICL that:

(a) all Personal Data provided by it to HKICL:

(i) have been collected by lawful means; and

(ii) are accurate in all material respects so far as it is aware;

(b) in relation to Personal Data collected by it all necessary consents required from Data Subjects have been obtained:

(i) to enable Personal Data to be used for the purpose of the operation of the Clearing House and other purposes in accordance with these Clearing House Rules;

(ii) to enable Personal Data to be delivered to HKSCC for the purpose of giving effect to a CCASS Payment Instruction;

(iii) to enable Personal Data to be passed to SI in connection with HSSS screening process or to any HSSS Service Provider for the purposes provided for in these Clearing House Rules;

(iv) to enable Personal Data to be transferred to any other person to the extent necessary for the purpose of the operation of the Clearing House in accordance with these Clearing House Rules; and

(v) to enable HKICL to provide Personal Data to any party pursuant to any obligation binding upon it under the PDPO;

(c) it has complied in all respects with the provisions of the PDPO; and

(d) use of the MBT and any equipment through which Direct Participants gain access to the MBT complies with all applicable data protection laws, codes of practices and licences.

8.1.2 Each Member confirms that the collection, use and retention of Personal Data by any outsourcing party in relation to the operation of the Clearing House and the Clearing Facilities pursuant to these Rules comply with all relevant laws and regulations in Hong Kong.

8.1.3 The SZ Agent confirms that the collection, use and retention of personal data in relation to the relevant SZ Cheques and, Paper Cheques and e-Cheques drawn on Members who are banks pursuant to these Rules complies with any relevant laws and regulations in China and Hong Kong.

8.1.4 The MC Agent confirms that the collection, use and retention of personal data in relation to the Paper Cheques drawn on Members who are banks presented to MC Banks and through the MC Agent to the Clearing House pursuant to these Rules complies with any relevant laws and regulations in Macau and Hong Kong.

## 8.2 Contracts (Rights of Third Parties) Ordinance, Cap. 623 of the Laws of Hong Kong

8.2.1 Save in respect of MA (and the HSSS Service Provider limited to Rule 6.4), a person who is not a party to these Clearing House Rules pursuant to Rule 2.8.1 shall not have any rights to enforce or enjoy the benefit of any term or provision of these Clearing House Rules, and the application

of the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) and/or any comparable law in any jurisdiction giving to or conferring on third parties the right to enforce or enjoy the benefit of any term or provision of these Clearing House Rules is expressly excluded.

8.2.2 Rule 6.4 may be varied without the consent of the HSSS Service Provider.

8.2.3 Any rights or benefits granted to MA (or the HSSS Service Provider limited to Rule 6.4) under these Clearing House Rules are personal to MA or the HSSS Service Provider and may not be assigned or enforced by any person other than MA or the HSSS Service Provider.

**8.3 Law and Jurisdiction**

8.3.1 These Clearing House Rules and the Operating Procedures shall be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China.

8.3.2 The Courts of the Hong Kong Special Administrative Region of the People's Republic of China shall have jurisdiction to settle any disputes which may arise in connection with these Clearing House Rules or the Operating Procedures and SI, HKICL and each Member hereby submit to the jurisdiction of such Courts. Proceedings may also be initiated in any other courts of competent jurisdiction.

**8.4 Effective Date**

These Clearing House Rules shall take effect from the date HKICL announces that they will take effect. In the event of any inconsistency between the version of the Clearing House Rules on HKICL's website and any other version of the Clearing House Rules, the version on HKICL's website shall prevail.

Hong Kong Interbank Clearing Limited

Date: 16 November 2026

## SCHEDULE I DEFAULT ARRANGEMENTS FOR ARTICLES (OTHER THAN OTC ITEMS AND CREDIT CARD ITEMS)

### Part I

| | Event | TIME at which the Event is to occur |
|---|---|---|
| **I.** | **Settlement** | |
| i. | Access by Direct Participants to the Settlement Amounts of the Bulk Clearing Settlement Run concerned ("First Settlement") to Direct Participants via the MBT. | Completion of clearing or return processing of relevant Articles, as the case may be, but prior to settlement |
| ii. | Commencement of the Settlement Process. During this period, Settlement Holds will be applied to earmark debit Settlement Amounts payable by Direct Participants and their Indirect Participants in their Settlement Accounts and if one or more Direct Participants is/are short of funds, HKICL will re-try until the Final Cut-off time.<br><br>If all Direct Participants have sufficient funds in their Settlement Accounts, settlement will be effected immediately for the First Settlement notwithstanding that the Final Cut-off time has not yet arrived. Settlement completed and will be deemed final. | According to the timetable for commencement of the Bulk Clearing Settlement Run for the respective Articles |
| **II.** | **Default Situation** | |
| | If the available balance in the Settlement Account of one or more Direct Participants ("Default Member(s)") is insufficient to meet its Bulk Clearing Commitment, or if one or more Default Member(s) or its Indirect Participant(s) are insolvent at the Final Cut-off time – | Final Cut-off time |
| i. | Each Default Member shall immediately advise MA and SI in writing if the default is caused solely by the default of one or more of its Indirect Participants, naming such Indirect Participants, and specifying the amount of the shortfall attributable to each such Indirect Participant. | |
| ii. | Announcement of the name(s) of the Indirect Participants, if MA and SI have received a satisfactory written advice under paragraph (i) above, or the name(s) of the Default Member(s) and its Indirect Participants, if no satisfactory advice has been received under paragraph (i) above and mandatory and immediate suspension ("Mandatory Immediate Suspension") of the Indirect Participant(s) or, as the case may be, the Default Member(s) and all its Indirect Participants from the clearing system, i.e. no payment to or from the Indirect Participant(s) or, | |

| Event | TIME at which the Event is to occur |
|---|---|
| as the case may be the Default Member(s) and its Indirect Participants will be accepted by the Clearing House systems, including CHATS and e-Cheque Portal, unless the Mandatory Immediate Suspension is lifted. | |
| iii. The SZ Agent or the MC Agent to advise the SZ Settlement Centre or the MC Settlement Centre as the case may be accordingly. | Immediately following announcement by the clearing system |
| iv. Settlement Holds still apply to funds in Settlement Accounts of Direct Participants (including the Default Member(s) and those not in default) up to their respective debit Settlement Amounts of the First Settlement until the notification of the Re-Settlement Amounts and the commencement of the Settlement Process for the Re-Settlement via the MBT. | |
| v. HKICL to prepare the unwinding of the First Settlement and calculation of the Re-Settlement. | |
| **III. Notice of Unwinding and Re-Settlement** | |
| The following announcements will be made by HKICL: | 15 minutes after the Final Cut-off time of the First Settlement |
| - Unwinding of the First Settlement announced. | |
| - Estimate of the time of the Re-Settlement announced. | |
| - Estimates of any other deadline adjustments announced. | |
| **IV. Unwinding and Re-Settlement** | |
| - HKICL notifies Direct Participants of their Re-Settlement Amounts via the MBT. | As soon as possible after the Final Cut-off time of the First Settlement |
| - Mandatory Immediate Suspension of the Indirect Participant(s) or, as the case may be, the Default Member(s) and its Indirect Participants continues. | |
| - Settlement Holds on the non-default Members, and, if the Mandatory Immediate Suspension applies only to one or more Indirect Participants, Settlement Holds on the Default Member(s), for the First Settlement will be released but such Settlement Holds will be replaced immediately by new Settlement Holds for the debit Re-Settlement Amounts and the Settlement Process on the Re-Settlement will immediately start at the same time. | |

| Event | TIME at which the Event is to occur |
|---|---|
| - Final Cut-off time for the Re-settlement. | 30 minutes after the commencement of the Re-Settlement |

**V. Default of Indirect Participants**

.

| | |
|---|---|
| - A Direct Participant advises SI that one or more of its Indirect Participants are in default | At least one hour (or such time as HKICL may determine from time to time after consultation with MA and SI) before commencement of the Settlement Process. |
| - SI in turn advises HKICL accordingly. | At least 30 minutes before commencement of the Settlement Process, if exclusion of the transactions relating to the suspended Indirect Participant(s) is required |
| - Mandatory Immediate Suspension shall apply to such Indirect Participant(s). The Settlement Process shall proceed in the usual manner, but excluding such Indirect Participant(s). | |

**VI. Declaration of default of the Default Member(s) / Indirect Participants**

| | |
|---|---|
| Declaration of default of the Indirect Participant(s) or the Default Member(s) whereupon HKICL shall cancel the clearing codes of all of the ICUs and all of the TPUs of any such Default Member(s). In the meantime, Mandatory Immediate Suspension of the Indirect Participant(s) or, as the case may be, the Default Member(s) and its Indirect Participants will continue until the declaration of SI after consultation with MA otherwise. | Any time subject to the decision of SI after consultation with MA. |

**VII. Application**

Schedule I does not apply to OTC Items and Credit Card Items.

Definitions:

**"Re-Settlement"** means the Settlement Process for and the settlement of a Bulk Clearing Settlement Run after the unwinding of the First Settlement and the re-calculation of the Settlement Amounts of the Members excluding those of the Indirect Participant(s) or, as the case may be the Default Member(s) and its / their Indirect Participants in the event that one or more of the Indirect Participant(s) or, as the case may be the Direct Participant(s) default(s) in a Bulk Clearing Settlement Run in the circumstances set out in Part I. II of this Schedule.

**"Re-Settlement Amounts"** means the Settlement Amounts payable or receivable by the Members in a Re-Settlement.

**Part II**

The following provisions apply in the event that one or more SZ Banks are in default ("Default SZ Bank(s)"):

| | **Event** | **TIME at which the Event is to occur** |
|---|---|---|
| (a) | The SZ Settlement Centre will notify the SZ Agent and the SZ Agent will notify HKICL.<br><br>Notification of SZ Bank default after 12:45 hours on a day (D) will not affect the settlement of day D-1 SZ Cheques. | Before 12:45 hours |
| (b) | The SZ Settlement Centre will provide to the SZ Agent details of the SZ Cheques ("Default Transactions") relating to the Default SZ Bank(s). The Default Transactions will be treated as Unpaid Articles. | As soon as possible |
| (c) | As soon as practicable after receipt of notification from the SZ Agent, HKICL will notify SI. SI shall after consulting with MA instruct HKICL to, and HKICL will, announce the name(s) of the Default SZ Bank(s) to the Members. Members will not thereafter deliver to HKICL any SZ Cheques relating to the Default SZ Bank(s). | As soon as possible after receipt of notification from the SZ Agent |
| (d) | The SZ Agent will certify the details of the Default Transactions and submit the certified details to HKICL. | As soon as possible after receipt of the details by the SZ Agent |
| (e) | HKICL will process the Default Transactions as Unpaid Articles and notify the Members. | As soon as possible |
| (f) | Settlement will take place at the normal time or a revised time to be announced by HKICL after removal of the Default Transactions. | Normal Cut-off time or a revised time to be announced by HKICL |

## SCHEDULE II CHATS, CCASS, CCPMP CUT-OFF AND END OF DAY CUT-OFF

### Part I CHATS Customer Cut-off, CHATS Bank Cut-off and CHATS Value Date Cut-off

CHATS (other than the processing of funds transfers in respect of Articles) is normally available for around-the-clock processing, but there is a need to have a cut-off time to distinguish payments for same-day value and payments for next-day value and to enable Direct Participants to assess their end-of-day positions. The following are the arrangements relating to various cut-off times:

1. CHATS (other than the processing of funds transfers in respect of Articles) will have 24 hours' availability (subject to scheduled regular housekeeping and maintenance work), but for Monday to Friday which is a Working Day, CHATS Customer Cut-off will be at 18.00 hours and CHATS Bank Cut-off will be at 18.30 hours, with the CHATS Value Date Cut-off (i.e. System Date changed) at 18.35 hours or such other time determined by SI after consultation with MA from time to time.

2. During the period between CHATS Customer Cut-off and CHATS Bank Cut-off, **Direct Participants can**

   - view details of incoming funds (other than those funds in respect of Articles) awaiting settlement via an enquiry function

   - subject to Rule 6.3.1.5, Rule 6.3.9.3(f) and Rule 6.12.8, re-sequence CHATS Payment Instructions Value Today and OTC Clear Payment Instructions Value Today in the Normal Queue

   - input CHATS Payment Instructions Value Today which are non-customer related payments

   - input CHATS Payment Instructions Value Forward Day

   **but Direct Participants cannot**

   - input CHATS Payment Instructions Value Today which are for customer related payments

   - cancel CHATS Payment Instructions Value Today in the Normal Queue and OTC Clear Payment Instructions Value Today

3. During the period between CHATS Customer Cut-off and CHATS Bank Cut-off, OTC Clear Payment Instructions Value Today or OTC Clear Payment Instructions Value Forward Day will be generated according to any OTC Clear Debit Requests transmitted or delivered by OTC Clear to the Clearing House Computer.

4. During the period between CHATS Bank Cut-off and CHATS Value Date Cut-off, **Direct Participants can**

   - input CHATS Payment Instructions Value Forward Day

   - subject to Rule 6.3.1.5, Rule 6.3.9.3(f) and Rule 6.12.8, re-sequence CHATS Payment Instructions Value Today and OTC Clear Payment Instructions Value Today in the Normal Queue

   **but Direct Participants cannot**

   - input CHATS Payment Instructions Value Today

   - cancel CHATS Payment Instructions Value Today and OTC Clear Payment Instructions Value Today in the Normal Queue

5. During the period between CHATS Bank Cut-off and CHATS Value Date Cut-off, OTC Clear Payment Instructions Value Forward Day will be generated according to any OTC Clear Debit Requests

transmitted or delivered by OTC Clear but no OTC Clear Payment Instructions Value Today will be generated.

6. After the CHATS Value Date Cut-off:

   - no CHATS Payment Instructions, OTC Clear Payment Instructions with a value date prior to the System Date will be accepted

   - only CHATS Payment Instructions, OTC Clear Payment Instructions for value as of the System Date immediately after the CHATS Value Date Cut-off or as of the Supported Forward Days will be accepted

7. After the CHATS Value Date Cut-off and the completion of the processing of the CHATS Payment Instructions input prior to the CHATS Bank Cut-off or OTC Clear Payment Instructions generated prior to the CHATS Bank Cut-off, CHATS Payment Instructions Value Today or OTC Clear Payment Instructions Value Today in the Normal Queue will be cancelled automatically.

## Part II CCASS Interim Cut-off and CCASS End of Day Cut-Off

The following are the arrangements for CCASS Interim Cut-off and CCASS End of Day Cut-off:

1. At 15.30 hours CCASS will send a preliminary CCASS Interim Cut-off message to CHATS.

2. At 15.35 hours CCASS will send a final CCASS Interim Cut-off message to CHATS.

3. After receipt of the preliminary CCASS Interim Cut-off message referred to in paragraph 1:

   (a) the Clearing House Computer will:

      (i) not settle any further CCASS Interim Cut-off Payments;

      (ii) reject all instructions for the processing of further CCASS Interim Cut-off Payments;

      (iii) cancel all undelivered validation requests, validation requests awaiting response from CCASS and queued payments pending in the Normal Queue and Pending Queue for the CCASS Interim Cut-off Payments*; and

      (iv) continue to send outstanding confirmation advices to CCASS and to receive acknowledgements from CCASS for the CCASS Interim Cut-off Payments which are settled before the CCASS Interim Cut-off; and

      * All CCASS Payment Instructions are sent to HSSS for scanning pursuant to Rule 6.4.2(a) and only those passed the HSSS screening process will be sent to CCASS for validation. The CCASS Interim Cut-off Payments stated in 3(a)(iii) refer to those that have already passed the HSSS screening process and will be cancelled by CCASS Interim Cut-off automatically.

   (b) CCASS will:

      (i) reject all incoming validation requests for the CCASS Interim Cut-off Payments which are sent by CHATS before the CCASS Interim Cut-off but arrived afterwards; and

      (ii) continue to process effected payments, to receive outstanding confirmation advices and to send acknowledgements for the CCASS Interim Cut-off Payments.

4. After receipt of the final cut-off message to CHATS referred to in paragraph 2:

   (a) the Clearing House Computer will stop all further processing of CCASS Interim Cut-off Payments; and

   (b) CCASS will stop all further processing of CCASS Interim Cut-off Payments.

5. At 6:00 p.m. CCASS will send a preliminary CCASS End of Day Cut-off message to CHATS.

6. At 6:05 p.m. CCASS will send a final CCASS End of Day Cut-off message to CHATS.

7. After receipt of the preliminary CCASS End of Day Cut-off message referred to in paragraph 5:

   (a) The Clearing House Computer will:

      (i) not settle any further CCASS End of Day Cut-off Payments;

      (ii) reject all instructions for the processing of further CCASS End of Day Cut-off Payments;

      (iii) cancel all undelivered validation requests, validation requests awaiting response from CCASS and queued payments pending in the Normal Queue and Pending Queue for the

CCASS End of Day Cut-off Payments*; and

(iv) continue to send outstanding confirmation advices to CCASS and to receive acknowledgements from CCASS for the CCASS End of Day Cut-off Payments which are settled before the CCASS End of Day Cut-off; and

* All CCASS Payment Instructions are sent to HSSS for scanning pursuant to Rule 6.4.2(a) and only those passed the HSSS screening process will be sent to CCASS for validation. The CCASS End of Day Cut-off Payments stated in 7(a)(iii) above refer to those that have already passed the HSSS screening process and will be cancelled by CCASS End of Day Cut-off automatically.

(b) CCASS will:

(i) reject all incoming validation requests for the CCASS End of Day Cut-off Payments which are sent by CHATS before the CCASS End of Day Cut-off but arrived afterwards; and

(ii) continue to process effected payments, to receive outstanding confirmation advices and to send acknowledgements for the CCASS End of Day Cut-off Payments.

8. After receipt of the final cut-off message to CHATS referred to in paragraph 6:

(a) the Clearing House Computer will stop all further processing of CCASS End of Day Cut-off Payments; and

(b) CCASS will stop all further processing of CCASS End of Day Cut-off Payments.

For the avoidance of doubt, the above provisions apply to the normal process for CCASS Interim Cut-off and CCASS End of Day Cut-off. In case of exceptional circumstances due to situations including but not limited to CCASS failure, the communication link between the Clearing House Computer and CCASS fails or when the CHATS Customer Cut-off is earlier than the CCASS Interim Cut-off or CCASS End of Day Cut-off, the arrangements as stipulated in the Operating Procedures shall prevail.

## Part III CCPMP Cut-off (in respect of CCP Instructions)

The following are the arrangements for CCPMP:

1. CCPMP will commence operation on each Working Day at CCPMP Commencement or such other time as determined by SI after consultation with MA from time to time.

2. At 18.30 hours or such other time as determined by SI after consultation with MA from time to time, CCPMP will send a cut-off message to CHATS.

3. After receipt of the cut-off message referred to in paragraph 2 or after CHATS Bank Cut-off, whichever is the earlier, the Clearing House Computer will:

   (i) cancel all CCP Instructions with value date being the current Working Day which are waiting for CCPMP's validation response;

   (ii) cancel all CCP Instructions with value date being the current Working Day which are in the Normal Queue; and

   (iii) reject any incoming CCP Instructions with value date being the current Working Day.

4. After the cut-off message referred to in paragraph 2 is received, the Clearing House Computer will one by one release the hold in Sending Member's Designated Settlement Account of the funds in respect of outstanding CCP Instructions.

## Part IV End of Day Cut-off

CHATS (other than the processing of funds transfers in respect of Articles) is available for around the clock processing of Direct Credit Instructions or Direct Debit Instructions but there is a need to have a cut off time to distinguish payments for same day value and payments for next day value to enable Direct Participants and SI to assess their end of day positions. The following are the arrangements relating to the cut off time.

1. The End of Day Cut-off will be triggered upon completion of the CHATS Value Date Cut-off, and will occur at 18.45 hours on Working Days or such other time as determined by SI after consultation with MA from time to time.

2. During the period prior to the End of Day Cut-off

   SI may

   - input Direct Credit Instructions
   - input Direct Debit Instructions
   - subject to Rule 6.3.5.6 and Rule 6.12.8, re-sequence Direct Debit Instructions or cancel any of the Direct Debit Instructions Value Today in the Normal Queue

3. After the End of Day Cut-off, the Clearing House Computer will:

   - not settle any Direct Debit Instruction Value Today and Direct Credit Instruction Value Today; and
   - cancel all Direct Debit Instructions Value Today in the Normal Queue

   SI cannot

   - input Direct Debit Instructions or Direct Credit Instructions Value Today

   SI can

   - input Direct Debit Instructions Value Forward Day or Direct Credit Instructions Value Forward Day

## SCHEDULE III CLEARING & SETTLEMENT OF ARTICLES

### Part I The Timetable for Delivery of Articles to the Clearing House

[This section has been left blank intentionally]

## Part II The Timetable for the Settlement of Articles

[This section has been left blank intentionally]

## Part III Clearing & Settlement of Articles (Other than OTC Items and Credit Card Items)

### A. General

1. Bulk Clearing Settlement Runs will be completed at specified times during the day as provided in these Clearing House Rules and the principle of "all or none" shall apply to each of the Bulk Clearing Settlement Runs.

2. The Bulk Clearing Settlement Runs for CLG Items and e-Cheques will be merged.

   Direct Participants will be given only one aggregated Settlement Amount for the Bulk Clearing Settlement Runs merged but a break-down for each of the merged Bulk Clearing Settlement Runs will also be given for the relevant Direct Participant's reference. The merged Bulk Clearing Settlement Runs will not be split in the event of default. However, if there are problems of a technical or operational nature preventing one of the merged Bulk Clearing Settlement Runs from being completed, HKICL shall be entitled to exercise its management discretion to split the said Bulk Clearing Settlement Runs with appropriate notification to the Direct Participants.

3. If there are payments in the Normal Queue, the payment of the Settlement Amount for a Bulk Clearing Settlement Run will have priority over the other CHATS Payment Instructions Value Today, OTC Clear Payment Instructions Value Today, CCP Instructions Value Today, CCASS Payment Instructions and Direct Debit Instructions Value Today in the Normal Queue.

4. The above provisions apply to SZ Cheques, except that the "all or none" principle applies, in the case of default by one or more SZ Banks, only to exclude the SZ Cheques relating to such SZ Bank(s). In relation to SZ Cheques, references to the Member are references to the SZ Agent.

### B. CCASS Items

[This provision has been left blank intentionally]

### C. Paper Cheques (other than SZ Cheques)

[This provision has been left blank intentionally]

### D. SZ Cheques

[This provision has been left blank intentionally]

### E. E-bill Payments and Returned E-bill Payments

[This provision has been left blank intentionally]

### F. e-Cheques

[This provision has been left blank intentionally]

## Part IV Settlement of Credit Card Items

1. Procedures for settlement of Credit Card Items between Direct Participants are set out below and in Part II above. The Settlement Amount of each Credit Card Member who is a Direct Participant, or each Settlement Agent in respect of a Bulk Clearing Settlement Run of Credit Card Items will be made available from the Clearing House Computer to such Credit Card Member or such Settlement Agent through the MBT upon successful capture of settlement files. A separate Bulk Clearing Settlement Run for each Credit Card Company will be scheduled according to the sequence as specified in the Operating Procedures.

2. In the event that any Bulk Clearing Settlement Run of the Credit Card Items cannot be completed by the Final Cut-off time, the outstanding Bulk Clearing Settlement Run will be re-scheduled on the same day at SI's discretion.

3. The Clearing House Computer will place a Settlement Hold in a debit Settlement Amount of a Credit Card Member who is a Direct Participant, or a Settlement Agent as from the commencement of the Settlement Process of each Bulk Clearing Settlement Run of Credit Card Items. However, if all Credit Card Members who are Direct Participants, and all Settlement Agents with debit Settlement Amounts have sufficient funds in their Settlement Accounts, and if the debit settlement amount of each such Credit Card Member or Settlement Agent does not exceed the pre-set direct debit authorisation limit ("DDA Limit"), such Settlement Amounts will be debited and the relevant credit Settlement Amounts will be credited to all relevant Settlement Accounts pursuant to Rule 3.1.4 notwithstanding that the Final Cut-off time for the Bulk Clearing Settlement Run concerned has not yet arrived.

4. The principle of "all or none" shall apply to each Bulk Clearing Settlement Run of Credit Card Items.

5. In the event that any Bulk Clearing Settlement Run of Credit Card Items cannot be completed before the Final Cut-off Time, the following arrangements will apply and the options applicable to the Credit Card Company concerned are stipulated in the Operating Procedures:

   5.1 If the debit Settlement Amount of a Credit Card Member who is a Direct Participant, or a Settlement Agent in respect of Credit Card Items for the Credit Card Company concerned exceeds the DDA Limit; or if there are insufficient funds in the Settlement Account of a Credit Card Member who is a Direct Participant or a Settlement Agent (i.e. the Credit Card Member concerned or the Settlement Agent concerned has sufficient funds in its Settlement Account to meet its Bulk Clearing Commitment other than Credit Card Items for the Credit Card Company concerned but not sufficient also to meet its Bulk Clearing Commitment in respect of Credit Card Items for the Credit Card Company concerned), subject to the advice of SI, one of the following arrangements shall apply in the manner provided in the Operating Procedures:

      (a) The Card Agent may take up the settlement obligation of the relevant Credit Card Member or Settlement Agent; or

      (b) The Bulk Clearing Settlement Run for the Credit Card Company concerned will be withheld. The Credit Card Company's Card Agent shall exclude all Credit Card Items of the Credit Card Company concerned relating to the Credit Card Member concerned or the Settlement Agent concerned and re-submit a new settlement file to the Clearing House for settlement. The details of arrangements are stipulated in the Operating Procedures; or

      (c) The Bulk Clearing Settlement Run for the Credit Card Company concerned will be cancelled. All settlement obligations related to the unprocessed Credit Card Items will be handled according to the separate arrangements between the Credit Card Company concerned and its Credit Card Members.

   5.2 If a Credit Card Member who is a Direct Participant or an Indirect Participant, or a Settlement Agent is in default (i.e. the Credit Card Member concerned or the Settlement Agent concerned is announced as a Default Member under Schedule I Part I Paragraph II or Clearing Facilities

have been suspended or refused to the Credit Card Member concerned or the Settlement Agent concerned under Rule 5.1, 5.2 or 5.3), the following arrangements shall apply:

(a) The Bulk Clearing Settlement Run of the Credit Card Company concerned will be withheld. The Credit Card Company's Card Agent shall exclude all Credit Card Items of the Credit Card Company concerned relating to the Credit Card Member concerned or the Settlement Agent concerned in default and re-submit a new settlement file to the Clearing House for settlement. The details of arrangements are stipulated in the Operating Procedures; or

(b) The Bulk Clearing Settlement Run of the Credit Card Company concerned whose Credit Card Member concerned or the Settlement Agent concerned is in default will be cancelled. All settlement obligations relating to the unprocessed Credit Card Items will be handled according to the separate arrangements between the Credit Card Company concerned and its Credit Card Members.

If the Bulk Clearing Settlement Run is not successfully undertaken or completed under paragraph 5.1 or 5.2, the Settlement Holds will be released upon replacement by new Settlement Holds placed for a subsequent Bulk Clearing Settlement Run.

## Part V Clearing and Settlement of OTC Items

1. [This provision has been left blank intentionally]

2. [This provision has been left blank intentionally]

3. [This provision has been left blank intentionally]

4. [This provision has been left blank intentionally]

5. If the available balance in the Settlement Account of a Member for OTCCHU Items and/or OTCCRU Items is insufficient to meet its Bulk Clearing Commitment before the commencement of the Bulk Clearing Settlement Run of OTC Items set out in Part II of Schedule III, the following provisions shall apply:

   (a) The Member concerned shall directly inform OTC Clear in a manner agreed between the Member and OTC Clear if it is a clearing member of OTC Clear; or else if it is a settlement agent appointed by a clearing member of OTC Clear, the Member concerned should inform OTC Clear through the clearing member(s) which designated it to be the settlement agent;

   (b) If OTC Clear should notify HKICL and generate and provide HKICL with a replacement file in Electronic Media according to the handling procedures as stipulated in the Operating Procedures, HKICL will generate a new set of clearing outputs to Members in the settlement run in Electronic Media; and

   (c) the settlement window of such Bulk Clearing Settlement Run of OTC Items will be extended up to 60 minutes after the commencement of the settlement run on the same day.

6. If the available balance in the Settlement Account of a Member for OTCCHU Items and/or OTCCRU Items is insufficient to meet its Bulk Clearing Commitment after the commencement of the Bulk Clearing Settlement Run of OTC Items set out in Part II of Schedule III, the following provisions shall apply:

   (a) The Member concerned shall directly inform OTC Clear in a manner agreed between the Member and OTC Clear if it is a clearing member of OTC Clear; or else if it is a settlement agent appointed by a clearing member of OTC Clear, the Member concerned should inform OTC Clear through the clearing member(s) which designated it to be the settlement agent;

   (b) If OTC Clear should notify HKICL and generate and provide HKICL with replacement file(s) in Electronic Media according to the handling procedures as stipulated in the Operating Procedures, HKICL will generate a new set of clearing outputs to Members in the settlement run in Electronic Media;

   (c) the settlement window of such Bulk Clearing Settlement Run of OTC Items will be extended up to 60 minutes after the commencement of the settlement run on the same day; and

   (d) HKICL shall not debit or credit the Settlement Account of any Member (including the Member concerned with insufficient funds) in respect of the Bulk Clearing Settlement Run of the OTC Items, but shall maintain Settlement Holds on all Members (including so much as is available in the Settlement Account of the Member with insufficient funds) in respect of that Bulk Clearing Settlement Run until such Settlement Holds are replaced by new Settlement Holds in accordance with the replacement file(s) provided by OTC Clear in (b).

7. If in respect of a Bulk Clearing Settlement Run of OTC Items a Member is in default (i.e. Clearing Facilities have been suspended or refused to the Member under Rule 5.1, 5.2 or 5.3), the following arrangements shall apply:

   (a) Upon receipt of notification from SI (with the prior consent of MA), HKICL will inform OTC Clear the triggering of the default and the identity of the Member in default in a manner agreed

between HKICL and OTC Clear;

(b) the Bulk Clearing Settlement Run of OTC Items relating to the Member in default will be withheld. OTC Clear shall exclude all OTC Items relating to the Member in default and re-submit a new clearing file to the Clearing House for clearing and settlement excluding the Member in default. The details of arrangements are stipulated in the Operating Procedures;

(c) HKICL will generate a new set of clearing outputs to Members in the settlement run in Electronic Media excluding the Member in default; and

(d) the settlement window of such Bulk Clearing Settlement Run will be extended up to 60 minutes after the commencement of the settlement run on the same day.

8. If the Bulk Clearing Settlement Run of OTC Items is not successfully undertaken or completed under paragraph 5, 6 or 7, the Settlement Holds will be released upon cancellation of Bulk Clearing Settlement Run of OTC Items.

9. Part III of this Schedule does not apply to OTC Items.

## SCHEDULE IV INTEREST ADJUSTMENT SCHEME

In order to avoid arbitrage and to deal fairly with the situation created by the difference between the value dating of payments of Articles (other than Credit Card Items, E-bill Payments (but including Returned E-bill Payments), SCCASS Participant Items (but including further amendments to SCCASS Participant Items reported by Members to CCASS after completion of the Bulk Clearing Settlement Run for SCCASS Participant Items but before 20.00 hours on Day D) and OTC Items) at the inter-Member level and the Member-customer level:

(a) Paying Members shall pay Receiving Members on Day D+1 at the time of settlement of the relevant Bulk Clearing Settlement Run an interest compensation to be calculated on their respective Net Balance Payable at the Interest Adjustment Rate.

(b) In case of holidays, Non-Clearing Day or exceptional circumstances where the settlement of the Articles and Returned E-bill Payments has to be postponed and interest compensation is payable for more than one day:

- the rate applicable for Day D for the calculation of interest compensation under this Interest Adjustment Scheme shall be applied throughout the whole period of the relevant interest adjustment; and

- simple interest will be used in accordance with inter-bank money market practice.

(c) Interest will be calculated on Friday items of SZ Cheque from Friday to the settlement day, applying the calculation method in (b) above.

(d) The Clearing House Computer calculates the total net interest compensation payable or receivable, as the case may be, by each Direct Participant for each Bulk Clearing Settlement Run and the same shall be made available from the Clearing House Computer to the Direct Participants through the MBT at the time of the completion of bulk clearing and return processing, as the case may be, of their respective Settlement Amounts.

(e) In the event that a Direct Participant's Settlement Amount is zero, no interest will be due, but a record therefor will still be displayed.

**Definitions:**

**"Net Balance Payable"** means the net amount (after adjustment for returned items) payable by a Direct Participant for itself and its Indirect Participants in a Bulk Clearing Settlement Run for all Articles covered by the Interest Adjustment Scheme to be cleared excluding interest compensation payable under this Interest Adjustment Scheme.

**"Paying Member"** means a Direct Participant which will be making a payment in a Bulk Clearing Settlement Run.

**"Receiving Member"** means a Direct Participant which will be receiving a payment in a Bulk Clearing Settlement Run.

# RAINSTORM PROCEDURES

1. This version of the Rainstorm Procedures is effective from the date HKICL announces that it will take effect.

2. Subject to any exceptional circumstances, in the event of a "black" rainstorm warning being issued during the day the Clearing House will continue to function normally. The processing including the clearing, return and/or settlement arrangements, and cut-off times of all CHATS Transactions and Articles (save in respect of Paper Cheques) will be proceeded with according to the normal schedule. For the avoidance of doubt, when "black" rainstorm signal is hoisted, the initial queue mode of OTC Clear Payment Instruction shall be determined by the default queue mode in adverse weather/holiday as indicated by the payer Member in accordance with the Operating Procedures.

3. Clearing, Return and Settlement Arrangement for Paper Cheques

   (a) The Typhoon Procedures for the time being in force as amended will be applied to the clearing, return and settlement arrangement for Paper Cheques.

   (b) If clearing in the SZ Settlement Centre is suspended due to a rainstorm, the clearing or settlement of SZ Cheques may be subject to variation and in such case, HKICL shall broadcast by the MBT (and also via the SWIFT network or the HKICL network to a Member who has requested that administrative messages should also be sent to it) administrative message(s)/email(s) with progressive serial number(s) a processing schedule or schedules as soon as practicable and such processing schedule(s) so broadcasted shall be binding on Members.

   (c) If banks in Shenzhen are not open for business on a day (D) due to a rainstorm, the return and settlement of day D-1 SZ Cheques relating to SZ Banks will be deferred to the following day on which banks in Hong Kong and in Shenzhen are both open for business.

4. HKICL may, at its own discretion, deliver broadcast or notice regarding (i) the issuance of "black" rainstorm warning and (ii) the normal functioning of the Clearing House (including the clearing, return and settlement arrangement for Paper Cheques) pursuant to these Rainstorm Procedures. Neither MA nor SI nor HKICL shall owe any duty or incur any liability to any Member, OTC Clear, any Credit Card Company, or any Credit Card Member by delivering, delaying the delivery of, or failing to deliver such broadcast or notice.

5. Notwithstanding the above, for exceptional circumstances or for operational considerations, after consultation with SI and MA, HKICL may vary any of the timings for and the processing schedule of the CHATS Transactions and Articles. HKICL shall notify all Members, OTC Clear and/or Credit Card Companies (as the case may be) of such change which shall be binding on all Members.

# TYPHOON PROCEDURES

1. This version of the Typhoon Procedures is effective from the date HKICL announces that it will take effect.

2. These Procedures have been drawn up to give guidance to Members as to the procedures to be adopted in the event of the hoisting of Typhoon signal no. 8 or above or the announcement of Extreme Conditions. The Procedures are drawn up so as to avoid confusion or misunderstanding between Members.

3. Subject to any exceptional circumstances, the processing, including the clearing, return and/or settlement arrangements, and cut-off times of all CHATS Transactions and Articles (save in respect of Paper Cheques) will be proceeded with according to the normal schedule. For the avoidance of doubt, when typhoon signal no. 8 or above is hoisted or Extreme Conditions are in force, the initial queue mode of OTC Clear Payment Instruction shall be determined by the default queue mode in adverse weather/holiday as indicated by the paying Member in accordance with the Operating Procedures.

4. Clearing, Return and Settlement Arrangement for Paper Cheques

   (a) Subject to any exceptional circumstances, the presentation of Paper Cheques of the day for clearing will be accepted according to the normal schedule except that the presentation of Paper Cheques of the day and the clearing thereof will be held over to the immediately following Working Day in the case when typhoon signal no. 8 or above or Extreme Conditions remain in force up to and including 12.00 hours on the day. The return and settlement of the preceding Working Day Paper Cheques will be proceeded with according to the normal schedule, provided that clearing of preceding Working Day Paper Cheques has been processed as usual. The details of the arrangements are stipulated in the Operating Procedures. If it is not a working day in Shenzhen, the return and settlement of SZ Cheques relating to SZ Banks will be held over to the following working day in both Hong Kong and Shenzhen.

   (b) If clearing in the SZ Settlement Centre is suspended due to a typhoon, the clearing or settlement of SZ Cheques may be subject to variation and in such case, HKICL shall broadcast by the MBT (and also via the SWIFT network or the HKICL network to a Member who has requested that administrative messages should also be sent to it) administrative message(s)/email(s) with progressive serial number(s) a processing schedule or schedules as soon as practicable and such processing schedule(s) so broadcasted shall be binding on Members.

   (c) If banks in Shenzhen are not open for business on a day (D) due to a typhoon, the return and settlement of day D-1 SZ Cheques relating to SZ Banks will be deferred to the following day on which banks in Hong Kong and Shenzhen are both open for business.

5. HKICL may, at its own discretion, deliver broadcast or notice regarding (i) the hoisting of Typhoon signal no. 8 or above or the announcement of Extreme Conditions and (ii) the normal functioning of the Clearing House (including the clearing, return and settlement arrangement for Paper Cheques) pursuant to these Typhoon Procedures. Neither MA nor SI nor HKICL shall owe any duty or incur any liability to any Member, OTC Clear, any Credit Card Company, or any Credit Card Member by delivering, delaying the delivery of, or failing to deliver such broadcast or notice.

6. Notwithstanding the above, for exceptional circumstances or for operational considerations, after consultation with SI and MA, HKICL may vary any of the timings for and the processing schedule of the CHATS Transactions and Articles. HKICL shall notify all Members, OTC Clear and/or Credit Card Companies (as the case may be) of such change which shall be binding on all Members.