Transaction Processing Related to Securities Listed Under the Dual Tranche, Dual Counter ("DTDC"), and the Dual Counter Model Scheme Market Practice

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Changes to previous versions			
Version x.x Month YYYY	Type of change	Description of change	Page
Version 1 April, 2012		Update diagrams to have more precise presentation of the logic flows	5, 7 & 11
Version 1 April, 2012		Error correction for :22F::SETR/CCAS/DCTF, '/' is removed before 'SETR'	9
Version 3 March, 2013		Error correction of block sequence in sample case diagrams and narrative	12, 13
Version 4 May, 2013		Error correction of linkage reference qualifier from COMM to POOL	12, 13
Version 5 April, 2023		Market standards for New Dual Counter Model transactions are added	

1. SCOPE AND DEFINITIONS:

This market practice is covering the processing of transactions related to securities from investor's safekeeping account(s) at their account servicing agent and listed under the "Dual Tranche Dual Counter" ("DTDC") scheme launched by the Hong Kong Exchanges and Clearing Limited ("HKEX").

As agreed with Association of National Numbering Agencies ("ANNA"), national numbering agents shall assign one ISIN for each tranche for DTDC securities.

The creation of this practice is on a pragmatic approach. This practice is established based on the support of majority of the market players in Hong Kong market, including the Hong Kong Sub-custodian Working Group and the Hong Kong Securities Market Practice Group ("HK SMPG"). We will park the theoretical approach in using those messages that only a small number of market players are using and they send them in manual mode.

This is market practice may be revisited by the market when market players found better ways to achieve this practice.

This practice is conceptually applicable for DTDC securities transactions processing at central securities depositories (CSDs), if they support SWIFT messaging service.

In Hong Kong, this practice should mainly be performed amongst (including but not limited to) investors, fund managers, global custodians, and sub-custodians because the Hong Kong Securities Clearing Company Limited ("HKSCC") at the time this document is put together does not support SWIFT messaging service and their direct participant will use their own connections to process the DTDC transactions.

Whilst this document aims to cover all transactions related to DTDC securities, based on the initial feedback from participants, transactions related to shares transfer between the off-shore Renminbi and Hong Kong Dollar counters are the most concerning type of transactions to majority of the market players. However as the DTDC scheme expands its scope, this document shall be updated accordingly.

In 2022, HKEx announced to introduce a HKD-Renminbi ("RMB") Dual Counter Model to support the RMB development in the Hong Kong securities market ("Dual Counter Model") . The Dual Counter Model covers equity securities listed in both HKD and RMB counters only. Subject to regulatory approvals, the Dual Counter Model is expected to commence in the first half of 2023. This document has been updated to include the market practice to process the Dual Counter Model transactions. The market practice of Dual Counter Model is intended to be aligned with the one established for the DTDC model for standardization.

2. TRANSFERS BETWEEN THE OFF-SHORE RENMINBI AND HONG KONG DOLLAR COUNTER

I. ACTORS AND ROLES:

Transfer Instructing Party	Transfer Executing Party
Principal holder or agent holding securities listed under the Dual Tranche, Dual Counter ("DTDC") model or Dual Counter Model, including but not limited to Investors, Investment Managers, Global Custodians, Sub-custodians, Brokers and other participants of the Central Clearing and Settlement System ("CCASS") operated by Hong Kong Securities Clearing Company ("HKSCC").	Central Securities Depository – HKSCC.

Actors involved, when relating transfer instruction to CSD participant

Transfer Instructing Party	Transfer Instruction Relating Party
Principal holder or agent holding securities listed under the DTDC model or Dual Counter Model, e.g. Investment manager, asset managers, individual investors, etc.	Global custodians, Sub-custodians, Brokers and participants of the Central Clearing and Settlement System (CCASS).

II. ACTIVITY DIAGRAM:

This shows the decisions taken by parties who serve different roles in transfer services
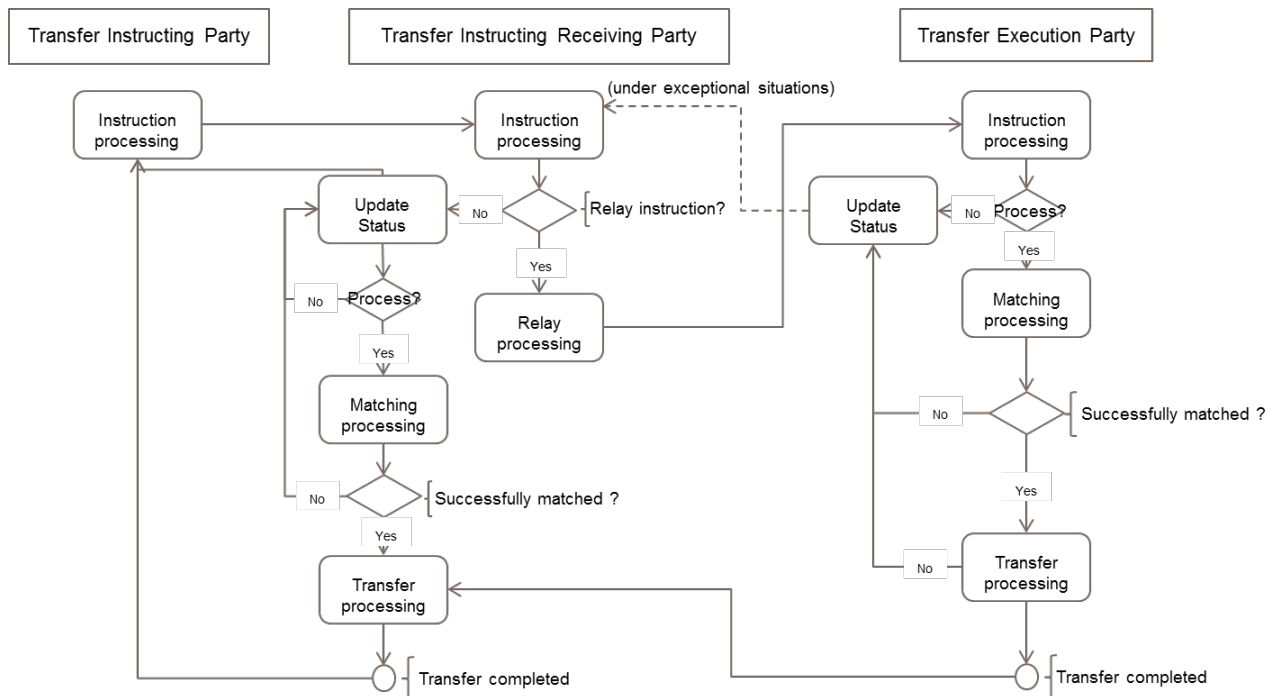
DTDC and Dual Counter Model Security Transfer

DTDC and Dual Counter Model Activity Diagram

| Transfer Instructing Party as Principal holder or Agent | Transfer Instructing Parties | Transfer Execution Party (Direct Participant of CCASS) |

Send a pair of free-of-payment instructions to initiate the crosscounter transfer, from Off-shore Renminbi tranche to Hong Kong Dollar tranche or vice versa.

Acknowledge receipt of the instruction pair.(ACKed via SWIFT Network)

Pass the send the pair of transfer instructions to next agent.

Acknowledge receipt of the instruction pair. (ACKed via SWIFT Network)

Verify the securities detail in the pair of instructions and go through any other verification applicable (e.g. instruction cut-off time verification).

N

Verify the securities detail in the pair of instructions and go through any other verification applicable (e.g. instruction cut-off time verification).

Verification Completed without Issue

Y

Is Transfer Instruction Receiving party a direct participant of CCASS?

Verification Completed without Issue

N

Y

Reject and follow-up with instruction sender.

Send transfer instruction into CCASS (via C3T or any other agreed channel)

END

Receive confirmation of cross-counter transfer completed. (MT544 and MT546 received from agent)

Confirm cross-counter transfer completed. (MT544 and MT546 sent to sender)

Confirm cross-counter transfer completed. (MT544 and MT546 sent to sender)

END

END

END

Business flow Diagrams:

In green, the main communication requirements for this process.

In black, the surrounding communication requirements.

In dotted line, the optional/potential surrounding communication requirements.

Transfer Instructing Party

Transfer Instruction Receiving Party

Instruct to transfer DTDC equity / Dual Counter equity

Acknowledge transfer instruction status (under exceptional situations)

Confirm transfer is done
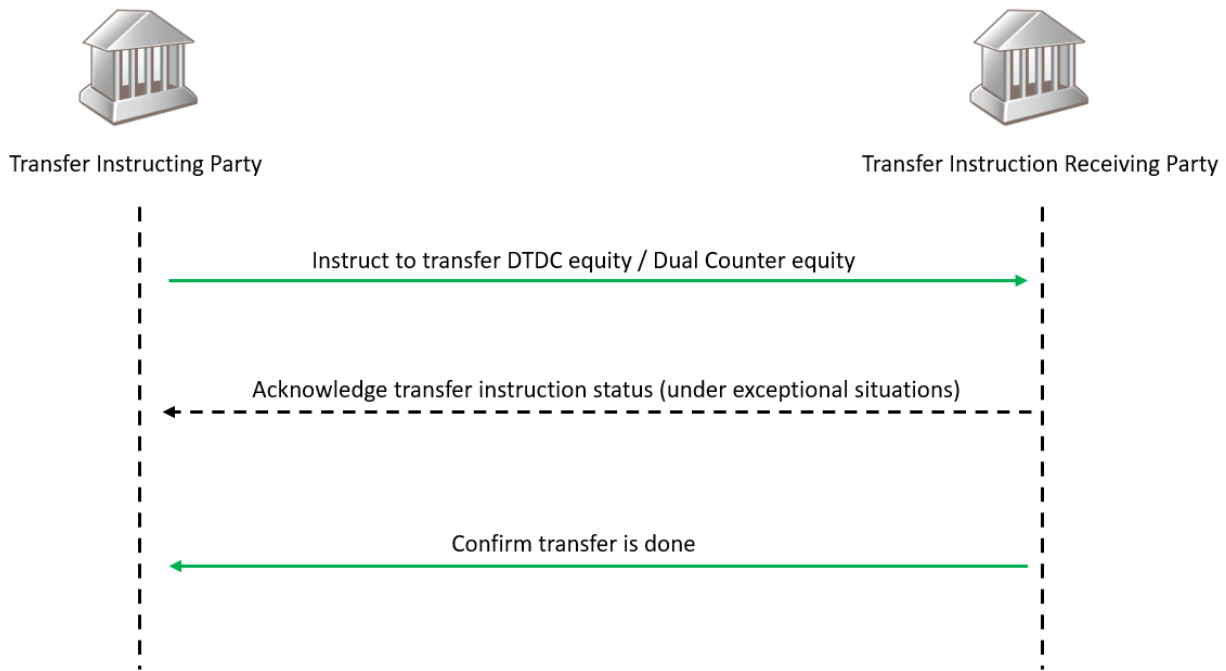
III. BUSINESS DATA REQUIREMENTS:

Market standard for inter-counter stock transfer instructions for DTDC and Dual Counter Model transactions

Besides all the mandatory fields in message, the key information that are required in the inter-counter stock transfer instructions for DTDC and Dual Counter Model transactions are following:

Instruction for transfer (receive free – MT540)

Data	ISO 15022
Link reference of this transfer operation	In Linkages block – LINK, use reference field – 20C, with qualifier POOL – pool reference.
ISIN or local code of the resulted transfer stock expected by the sender of the message	In trade details block – TRADDET, financial instrument identification field – 35B to specify the ISIN or local code of the stock and optional to put the name of the stock.
*Denominated currency code of **the resulted transfer stock**	In financial instrument attributes block – FIA inside TRADDET, currency field – 11A with qualifier DENO for currency of denomination. **This is optional. Require, only when the stock has no ISIN number.**
Indicator to indicate this is inter-counter stock transfer under DTDC or Dual Counter Model	In settlement details block – SETDET, indicator field – 22F with qualifier SETR with DSS code - **CCAS** with code word **DCTF**.

Remark:

* This is the existing market practice for DTDC transactions. We recommend to adopt the same market practice for Dual Counter Model transactions for standardization.

**In case of one ISIN code shared for both HKD Counter and RMB Counter, we will circulate the proposed market practice in due course.

Instruction for transfer (deliver free – MT 542):

Data	ISO 15022
Link reference of this transfer operation	In Linkages block – LINK, use reference field – 20C, with qualifier POOL – pool reference.
ISIN or local code for the original stock that needed to be exchanged for trading	In trade details block – TRADDET, financial instrument identification field – 35B to specify the ISIN or local code of the stock and optional to put the name of the stock.
*Denominated currency code of the **stock being transferred.**	In financial instrument attributes block – FIA inside TRADDET, currency field – 11A with qualifier DENO for currency of denomination. **This is optional. Require, only when the stock has no ISIN number.**
Indicator to indicate this is inter-counter stock transfer under DTDC or Dual Counter Model	In settlement details block – SETDET, indicator field – 22F with qualifier SETR with DSS code - **CCAS** with code word **DCTF**. Example: :22F::SETR/CCAS/DCTF

Remark:

* This is the existing market practice for DTDC transactions. We recommend to adopt the same market practice for Dual Counter Model transactions for standardization.

**In case of one ISIN code shared for both HKD Counter and RMB Counter, we will circulate the proposed market practice in due course.

IV. MARKET PRACTICE RULES:

For matching, we can consider the following matching rules.

- read SETR indicator – field 22F, in SETDET block with DSS=CCAS and check code word equal DCTF

- match POOL reference number – field 20C, in LINKAGES block

- match SETT quantity units - field 36B, in FIAC block

   **To increase the precision of matching process**

- match SETT date - field 98a, in TRADDET block

- match SAFE account – field 97a, in FIAC block, when with the same account

    To make a 100% match

- match trade date, DEAG/REAG parities, BUYR/SELL parties

Once all criteria are satisfied, application system can do the transfer immediately and generating corresponding confirmations to respective client.
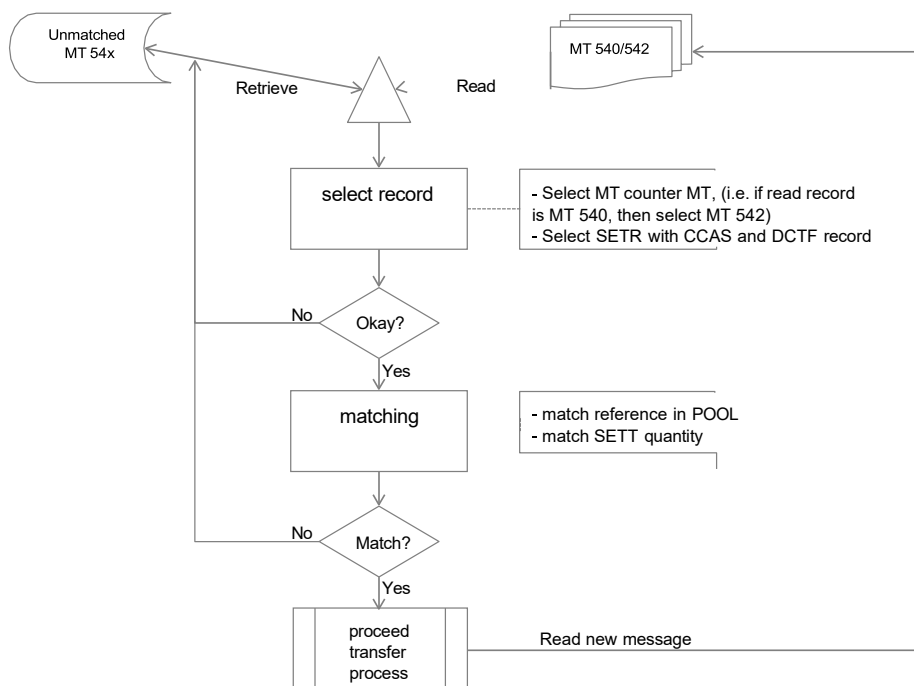
V. ISO 15022 ILLUSTRATION:

In green, the main communication requirements for this process.

In black, the surrounding communication requirements.

In dotted line, the optional/potential surrounding communication requirements.

Transfer Instructing Party

Transfer instruction receiving party

Deliver free securities settlement instruction (MT 542)

Receive free securities settlement instruction (MT 540)

Settlement status and processing advice for 542 (MT 548) (optional)

Settlement status and processing advice for 540 (MT 548) (optional)

Deliver free securities settlement instruction confirmation (MT 546)

Receive free securities settlement instruction confirmation (MT 544)
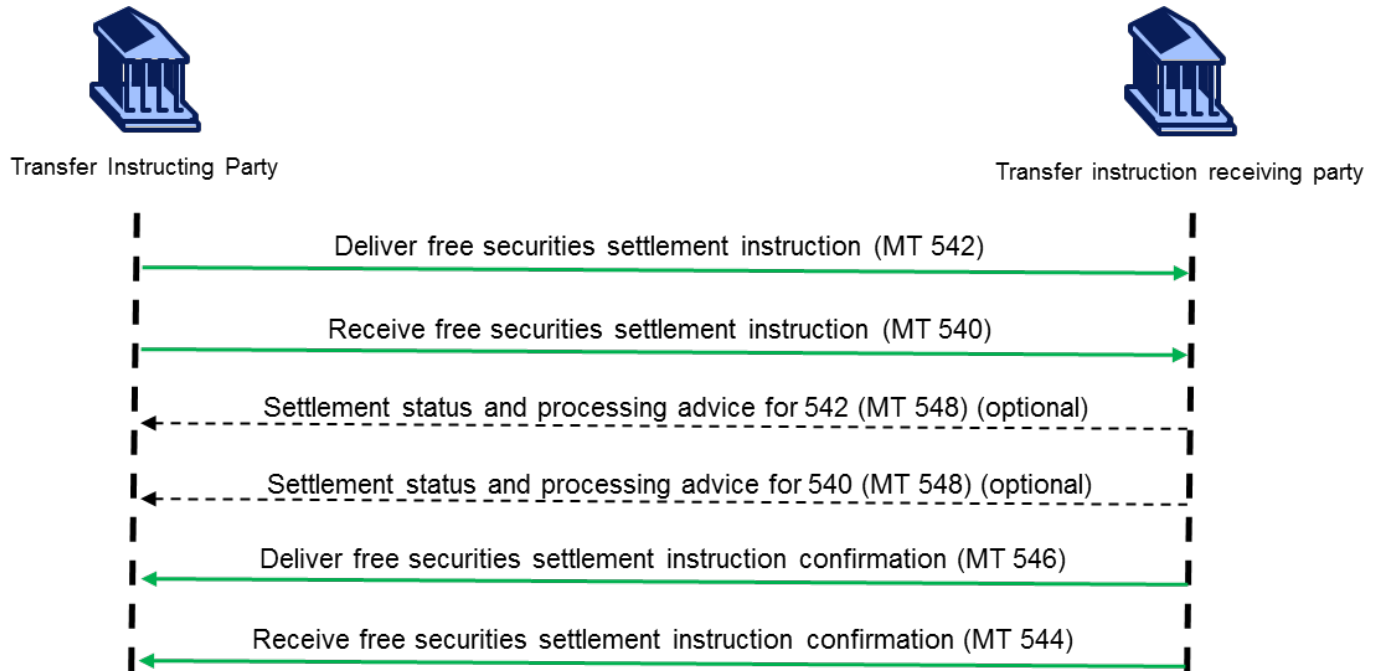
Sample case:

GSUBHKHH sends a pair of instructions to SUBCHKHH to transfer from HKD Counter (ISIN code: HK0000294001) to RMB Counter (ISIN code: HK0000294000) at their safekeeping account at SUBCHKHH - 11111111. The two instructions are having a common reference 100011.

GSUBHKHH MT 540 to SUBCHKHH	Receive free settlement instruction
:16R:GENL	
:20C::SEME//123456789	**Message reference (differ from MT 542)**
:23G:NEWM	
:16R:LINK	start of Linkages block
:20C::POOL//100011	**Reference number to link to MT 542**
:16S:LINK	
:16S:GENL	
:16R:TRADDET	
:98A::TRAD//20100305	**Trade date (optional)**
:98A::SETT//20100308	**Settlement date**
:35B:ISIN HK0000294000	**Resulting stock**
:16R:FIA	start of Financial Instrument Attributes block
:11A::DENO//CNY	**Currency base of resulting stock (optional, only when ISIN doesn't exist)**
:16S:FIA	
:16S:TRADDET	
:16R:FIAC	
:36B::SETT//UNIT/5000,	**Instructed quantity for transfer**
:97A::SAFE//111111111	**Safekeeping account**
:16S:FIAC	
:16R:SETDET	
:22F::SETR/CCAS/DCTF	**DCTF is the code used to indicate the transfer is related to DTDC or Dual Counter Model stock DSS code for CCASS is 'CCAS'** **Transfer within SUBCHKHH**
:16R:SETPRTY	
:95P::SELL//GSUBHKHH	**Client of the delivering agent**
:16S:SETPRTY	
:16R:SETPRTY	
:95P::DEAG//SUBCHKHH	**Delivering agent**
:16S:SETPRTY	
:16R:SETPRTY	
:95P::PSET//XHKCHKH1	**Place of settlement**
:16S:SETPRTY	
:16S:SETDET	

DTDC and Dual Counter Model Security Transfer

GSUBHKHH MT 542 to SUBCHKHH	Deliver free settlement instruction
:16R:GENL	
:20C::SEME//123456790	**Message reference (differ from MT 540)**
:23G:NEWM	
:16R:LINK	start of Linkages block
:20C::POOL//100011	**Reference number to link to MT 540**
:16S:LINK	
:16S:GENL	
:16R:TRADDET	
:98A::TRAD//20100305	**Trade date (optional)**
:98A::SETT//20100308	**Settlement date**
:35B:ISIN HK0000294001	**Transfer from stock**
:16R:FIA	start of Financial Instrument Attributes block
:11A::DENO//HKD	**Currency base of the stock being transferred (optional, only when ISIN doesn't exist)**
:16S:FIA	
:16S:TRADDET	
:16R:FIAC	
:36B::SETT//UNIT/5000,	**Instructed quantity for transfer**
:97A::SAFE//111111111	**Safekeeping account**
:16S:FIAC	
:16R:SETDET	
:22F::SETR/CCAS/DCTF	**DCTF is the code used to indicate the transfer is related to DTDC or Dual Counter Model stock DSS code for CCASS is 'CCAS'** **Transfer within SUBCHKHH**
:16R:SETPRTY	
:95P::BUYR//GSUBHKHH	**Client of the receiving agent**
:16S:SETPRTY	
:16R:SETPRTY	
:95P::REAG//SUBCHKHH	**Receiving agent**
:16S:SETPRTY	
:16R:SETPRTY	
:95P::PSET//XHKCHKH1	**Place of settlement**
:16S:SETPRTY	
:16S:SETDET	

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