

**CHAPTER 9 DELIVERY AND SETTLEMENT**

**PART A GENERAL**

**9.01 Scope**

The provisions in this Chapter are applicable to On-Market Transactions.

**9.02 Clearing House**

- (1) The Exchange may, from time to time, upon approval of the Commission, designate any clearing house for the clearing and settlement of transactions in securities listed on the stock market maintained by the Exchange which are effected through the trading facilities established by the Exchange or otherwise.
- (2) The Exchange will notify all Participating Organisations of the designation of a clearing house pursuant to Rule 9.02(1) not less than 14 days prior to the date the designated clearing house will clear and settle transactions.

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**PART B DELIVERY OF SECURITIES**

**9.03 Ready Basis Contracts**

- (1) If a Participating Organisation is a seller in a Contract, the Participating Organisation must have the quantity of securities sold in the Contract as Tradeable Balance in the Securities Account used for the sale not later than the day and time prescribed in Schedule 2.
- (2) If a Participating Organisation is a buyer in a Contract, the securities in the Contract will be delivered by the Clearing House on the day and at the time prescribed in Schedule 2 but only if the Participating Organisation who is the seller in the Contract complies with the requirements of the Clearing House Rules in relation to delivery and settlement of the Contract.
- (3) A Participating Organisation may make partial delivery of securities but only in respect of sale of Board Lots only. In this case, the Participating Organisation's delivery obligation is fulfilled only to the extent of the number of securities that are actually delivered.

*[Refer to Directive No. 9-001]*

**9.04 Securities with Multiple Quotations**

A Participating Organisation is not allowed to do cross delivery of securities for securities with separate quotations.

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**PART C FAILED CONTRACTS OF BOARD LOTS**

**9.05 Buying-In Without Notice**

- (1) If a Participating Organisation fails to deliver securities traded in Board Lots in accordance with Rule 9.03(1), the Exchange will commence buying-in against the Participating Organisation without giving any notice to the Participating Organisation, on the date and at the time as instructed by the Clearing House. The Exchange will conduct the buying-in in accordance with the procedures set in Rule 9.06 and the bidding price for such buying-in will be as instructed by the Clearing House.
- (2) For the avoidance of doubt, the buyer in the failed Contract is not prohibited from selling the securities and any person who further buys the same securities is also not prohibited from selling the securities, subject to Rule 9.07(1) and Rule 9.08.
- (3) The Exchange may only withdraw or suspend any buying-in if instructed by the Clearing House.
- (4) Where buying-in is withdrawn under Rule 9.05(3), the settlement obligations of the defaulting Participating Organisation will be as stated in the Clearing House Rules.

**9.06 Buying-In Procedures**

- (1) The Exchange will publish the name, quantity and bidding price of the securities for buying-in in the ATS before the commencement of the buying-in.
- (2) *[Deleted]*
- (3) A Participating Organisation can only enter an order to sell to the buying-in if the relevant securities are designated as "free securities" in the Securities Account of the seller.
- (4) The Exchange will match orders entered into the ATS to sell to the buying-in on a "first come first served" basis.
- (5) The Exchange may proceed with buying-in even if a trading suspension is imposed on securities of a listed Issuer pursuant to these Rules or the Listing Requirements.
- (6) A selling Participating Organisation in a buying-in contract must ensure that the selling Client in the buying-in contract is paid for the securities sold not later than 12.30 p.m. on the next Market Day following the date of the buying-in contract.
- (7) The securities obtained pursuant to a buying-in will be delivered to the following Securities Account on the date of the buying-in itself:
  - (a) the buyer in the failed Contract; or
  - (b) if the buyer in the failed Contract has sold the securities, to the ultimate buyer of the securities.
- (8) Securities sold by a seller to any buying-in between the period the securities were traded on "ex entitlement" basis up to the Books Closing Date (inclusive) will be on a "cum entitlement" basis.
- (9) A defaulting Participating Organisation against whom buying-in is carried out must not charge brokerage for the buying-in against the selling Client in the failed Contract.
- (10) The selling client in the failed Contract must make payment for the buying-in as determined by the Clearing House to the defaulting Participating Organisation against whom buying-in is

carried out not later than 12.30 p.m. on the next Market Day following the date of the buying-in contract.

(11) *[Deleted]*

**9.07 Cash Settlement**

- (1) If buying-in is not successful on T+2 or within such period as may be prescribed by the Clearing House, the buying-in will be withdrawn if instructed by the Clearing House. The Contract will then be settled by payment of cash for the quantity not done through the buying-in, in accordance with the Clearing House Rules, to the person below based on the cash settlement amount determined by the Clearing House:
  - (a) the buyer in the failed Contract; or
  - (b) if the buyer in the failed Contract has further sold the securities subsequent to the purchase, the ultimate buyer of the securities.
- (2) In order to facilitate the settlement of cash to the buyer as stated in Rule 9.07(1), the buying Participating Organisation may be directed by the Clearing House not to further sell the securities and the Participating Organisation must ensure that it gives effect to such direction.

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**PART D      FAILED CONTRACTS OF ODD LOTS**

**9.08      Cash settlement**

- (1) If a Participating Organisation fails to deliver securities traded in Odd Lots in accordance with the Clearing House Rules, the Contract will be settled by payment of cash to the person below based on the cash settlement amount determined by the Clearing House:
  - (a) the buyer in the failed Contract; or
  - (b) if the buyer in the failed Contract has further sold the securities subsequent to the purchase, the ultimate buyer of the securities.
- (2) In order to facilitate the settlement of cash to the buyers as stated in Rule 9.08(1) the buying Participating Organisation may be directed by the Clearing House to not further sell the securities and the Participating Organisation must ensure that it gives effect to such direction.

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**PART E SETTLEMENT OF PAYMENT**

**9.09 Settlement between a Participating Organisation and Client**

- (1) If a Participating Organisation is a seller in a Contract, the Participating Organisation must pay the selling Client for the securities sold on the day and not later than the time prescribed in Schedule 2.

*[Refer to Directives No. 9-001 and 9.09(1)-001]*

- (2) If a Participating Organisation is a buyer in a Contract, the buying Client must pay the Participating Organisation by the day and time prescribed in Schedule 2.
- (3) Notwithstanding Rule 9.09(2), a buying Client may sell securities for which he has not paid, at any time before 2.00 p.m. on the 2<sup>nd</sup> Market Day following the Contract Date (T+2) and such sale will be deemed to be a sale to close-off the buying Client's purchase position in respect of that securities and such close-off is referred to as "contra".

**9.10 Contra**

- (1) A Participating Organisation may permit a Client to "contra" its buy Contracts if:
  - (a) a Participating Organisation has guidelines for "contra":
  - (b) a Participating Organisation notifies the Clients of the guidelines prior to doing the "contra";
  - (c) in allowing for a Client to contra, a Participating Organisation takes into account the Client's financial ability to pay for losses (if any) arising from the contra; and
  - (d) the contra is effected not later than the time and date prescribed under Rule 9.09(3);
- (2) Any sale of securities that is made pursuant to a selling out under Part F is not considered to be a "contra".
- (3) A Participating Organisation may impose charges on its Client for a "contra".
- (4) Any difference resulting from a "contra" must be settled between the Participating Organisation and its Client not later than the 5<sup>th</sup> Market Day following the date of such "contra".

**9.11 Set-off**

Other than a "contra" as provided under Rule 9.10, a selling Participating Organisation must not set-off the payment due to a selling Client arising from a sale of Contract against the Client's outstanding purchase position, whether due for payment or not, unless the Client has agreed in writing with the Participating Organisation to allow for such set-off to be carried out.

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**PART F          SELLING-OUT**

**9.12    Default in payment**

- (1)    A Participating Organisation must institute a selling-out within the day and time prescribed in Schedule 2 against a Client who fails to pay for the Client's purchases by the time prescribed in Schedule 2.
- (2)    A Participating Organisation may still accept payment from a Client who fails to pay for the Client's purchases at any time prior to a selling-out being carried out.

**9.13    Notice not required**

A Participating Organisation need not give prior notice of a selling-out to a defaulting Client.

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**PART G CLAIMS AND ENTITLEMENTS ARISING OUT OF FAILURE TO DELIVER**

**9.14 Securities transacted on “Cum Entitlements” basis**

- (1) A buying Participating Organisation may claim on the entitlements arising from purchased securities in accordance with the Clearing House Rules if:
  - (a) the securities are bought "cum entitlements" by a buyer;
  - (b) there are insufficient or no Tradeable Balance of such securities in the seller's Securities Account by such time and day prescribed in Rule 9.03(1); and
  - (c) as a result of which, the buyer is not registered in the Record of Depositors as at Books Closing Date.
- (2) A buying Participating Organisation must inform the buying Client of the claims on the entitlements that are allowed by the Clearing House and the procedures for the claims.
- (3) A buying Participating Organisation must submit any claims requested by the Client within the time frame prescribed by the Clearing House.

**9.15 Securities transacted on “Ex Entitlement” basis**

- (1) If a buying Participating Organisation who transacted on “ex entitlement” basis obtains the entitlement, the Clearing House will, upon receipt of a claim referred to in Rules 9.16(3), undertake appropriate actions to reinstate the entitlements to the seller who sold the securities on “ex entitlement” basis.
- (2) A selling Participating Organisation must inform the selling Client of the claims on the entitlements that are allowed by the Clearing House and the procedures for the claims.
- (3) A selling Participating Organisation must submit any claims requested by the Client in the manner and within the time frame prescribed by the Clearing House.

**9.16 Sale of rights**

- (1) The claims on rights may be made by the buying Participating Organisation in accordance with the Clearing House Rules if:
  - (a) there are insufficient or no Tradeable Balance of such rights in the seller's Securities Account by such time and day prescribed in Rule 9.03(1);
  - (b) as a result of which the buyer is not registered in the Register of Depositors as at Books Closing Date; and
  - (c) the rights have expired.
- (2) The buying Participating Organisation must inform the buying Client of the claims on the rights that are allowed by the Clearing House and the procedures for the claims.
- (3) The buying Participating Organisation must submit any claims requested by the Client in the manner and within the time frame prescribed by the Clearing House.

**PART H BUYING-IN UPON REQUEST**

**9.17 Buying-In Upon Request**

In addition to the buying-in referred to in Rules 9.05 and 9.06, the Exchange may, upon a request made by a Participating Organisation or the Clearing House, conduct buying-in in respect of any security under circumstances as may be prescribed by the Exchange or the Clearing House.

[End of Chapter]