



Dual Counter Model

Harvest MSCI China A Index Exchange Traded Fund (Harvest ETF) was the first dual counter security listed on the Stock Exchange of Hong Kong Limited (the Exchange) on 12 October 2012.

Hong Kong Exchanges and Clearing Limited (HKEX) announced that it will launch the Hong Kong Dollar (HKD)-Renminbi (RMB) Dual Counter Model (Model) for the Dual Counter Securities in the first half of 2023. The list of Dual Counter Securities would be published by HKEX website from time to time - only securities (excluding Exchange Traded Products (ETPs)) listed in both HKD and RMB counters in Hong Kong securities market would be considered for designation. The Model is composed of trading, market making and settlement of HKD-RMB Dual Counters.

Trading

The dual counter model, also known as the dual currency or dual counter listing, allows issuers to list securities in a currency other than the local currency. In the case of Hong Kong, it means two trading counters, i.e. a renminbi (RMB) counter and a Hong Kong dollar (HKD) counter.

Separate stock codes are assigned to the HKD and RMB counters. While the stock codes for both RMB counter and HK counter have 5 digits for an equity, the stock code for the RMB counter starts with an "8", while the stock code for HK counter starts with a "0". The stock short names for the two counters are also different with the RMB counter ending with -R to indicate that the securities are traded in RMB whereas there will be no specific marking in the stock short name of the HKD counter.

Market Making - Dual Counter market Making (DCMM) Programme

The new DCMM programme is introduced to support inter-counter Dual Counter Securities trading in order to provide liquidity in the RMB counter and minimize price discrepancies between the two counters.

A DCMM holding a relevant DCMM permit in a Dual Counter Security shall comply with the relevant obligations and requirements pursuant to the rules of the Exchange. Please use Form 22 provided by HKEX for the application for Acquisition / Surrender of Dual Counter Market Maker Permit(s).

A DCMM may claim stamp duty exemption in respect of its market making and liquidity providing activities under the DCMM Stamp Duty Exemption Programme provided that it satisfies such criteria and complies with the requirements of the DCMM Stamp Duty Exemption Programme.

Settlement Issue - CCASS

ICI is a new type of instruction in the Clearing and Settlement System (CCASS) to facilitate cross transfers between HKD counter and RMB counter of same stocks within holdings in Stock Clearing Account for settlement which would streamline the settlement process of the Clearing Participants (CPs). This type of instruction is free of charge and covers all designated Multi-counter Eligible Securities (including Dual Counter Securities).

Benefits of the Model

The Model will support further renminbi's internationalization and elevating Hong Kong's position as the premier offshore renminbi financing centre.

Investors will have the flexibility and convenience to trade in HKD, RMB or both in accordance with their investment preferences or strategic considerations while issuers are able to gain access to a broader pool of potential investors.



Legal Issues

A Dual Counter Security may be traded in two different currencies provided that the securities concerned are of the same class. Securities can be transferred between the two counters without the change of beneficial ownership. Holders of Dual Counter Securities shall enjoy identical legal rights under the issuer's constitution documents while the shareholders of an issuer in these two counters are treated equally.

Trading Arrangement of RMB Counters

Trading arrangements of RMB counters under the Model will largely follow the existing arrangements for RMB denominated equity securities (e.g. price validations, spread table, order types, trading sessions, etc.).

Calculation

All calculation, including the market capitalisation, public float, size limits on general mandate for issuance/repurchase of securities (repurchase of securities can be from RMB counter or HK counter or both) and grants of share option or award, shall be with reference to the closing price of the listed issuer's securities traded under the HKD counter.

Currency for fees, levies and duties

For RMB IPOs, investors and brokers will be able to pay the levies and other costs (such as commission) in RMB or HKD. For secondary market trading in the RMB counters, trading-related fees and levies (including but not limited to Trading Fee, SFC Transaction Levy and FRC Transaction Levy) and stamp duty would be paid in HKD, similar to all other equity securities.

Settlement

Trading in the Exchange under the two counters will be cleared and settled in CCASS as if they are two individual and independent securities. There is no inter-counter netting for dual-counter trading. After netting under the Continuous Net Settlement (CNS) System, one CNS stock position will be netted for each counter, i.e. RMB counter and/or HKD counter. CPs should settle their CNS stock position on the basis of T+2 per counter basis, which is along the same line as the existing settlement mechanism.

Exchange Participants are strongly advised to review their systems and operations to ensure smooth trading in facilitating inter-counter transactions and prevent any failed settlement.

How to Apply for Dual Counter Securities

Since the Dual Counter Model affects the trading arrangements, a listed issuer is advised to:

- (a) agree the proposed timetable and trading arrangements in the application for launching a RMB counter with the Listing Division of HKEX;
- (b) make an application with Hong Kong Securities Clearing Company Limited (HKSCC) for the listed securities to be accepted as multi-counter eligible securities as defined under the General Rules of CCASS ("CCASS Rules"); and
- (c) issue an announcement to inform the market of the arrangements.

Listed issuers should check with their legal advisers if any shareholder meeting or board approval would be required for launching a RMB counter.

There is no set specified timetable for the application of a RMB counter.



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Newsletter

Even though there are no fees payable to HKEX to launch an additional RMB counter, listed issuers are advised to check if any other fees or charges (such as fees required for new International Securities Identification Number (ISIN) registration, fees required for share registrar, etc. if applicable) are required to launch a RMB counter.

How to Remove a Counter from the Dual Counter Securities

Upon agreement with HKEX with the timetable and settlement issues, a listed issuer can remove one of the counters at any time they prefer.