

CSDs: HKSCC (Hong Kong)

Date: 26 Sep 2008

SMI Markets: Hong Kong

CMIRR Markets: Hong Kong

HKSCC to Increase the Penalty Fee for Securities Settlement Failure

Hong Kong Securities Clearing Company Limited (HKSCC) is planning to increase the penalty fee for securities settlement failure and will submit the proposed changes to the Securities and Futures Commission (SFC) for approval today, 26 September 2008.

The proposal is to increase the penalty fee from 0.25% to 0.50% of the market value of the failed transaction. The maximum penalty fee would remain at HKD 100,000 for each short stock position.

The changes, which are subject to the SFC's approval, are expected to be implemented for transactions due for settlement on 2 October 2008.

The official press release is available at: <http://www.hkex.com.hk/news/hkexnews/0809263news.htm>

CSD Risk Impact

HKSCC (Hong Kong)

Impacted Risk Type: Liquidity Risk

Current Rating = AA-

Flash Impact = Positive

The proposal by HKSCC to increase the penalty fee for settlement failure is a positive move designed to deter settlement fails in the market. The impact on Liquidity Risk is 'Positive'. Although the changes are pending the approval of the regulator, the SFC had initially requested the revision to help deal with global financial market conditions and thus its approval should be forthcoming.

Market Information Impact

Hong Kong

This information affects the data contained in the Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Hong Kong

Market Rating: A+

Market Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = A+

Flash Impact = Positive

The proposal by HKSCC to increase the penalty fee for settlement failure is a positive move designed to deter settlement fails in the market. The impact on Liquidity Risk is 'Positive'. Although the changes are pending the approval of the regulator, the SFC had initially requested the revision to help deal with global financial market conditions and thus its approval should be forthcoming.

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