



HONG KONG MONETARY AUTHORITY  
香港金融管理局

Our Ref: B1/15C  
G16/1C

18 June 2012

The Chief Executive  
All Registered Institutions

Dear Sir / Madam,

**Preparation for the Dual Tranche, Dual Counter (DTDC) Model of the Hong Kong Exchanges and Clearing Limited (HKEx)**

The HKEx introduced the concept of the DTDC model<sup>1</sup> to the market in September 2011. In preparation for the adoption of the model by issuers, the HKEx and the Hong Kong Securities Clearing Company Limited has issued guidelines, arranged briefings and practice sessions for SEHK Exchange Participants and CCASS Participants to familiarise them with operations under the DTDC model.

Although no securities have been issued under this model to date, Registered Institutions (RIs) that are interested in dealing in securities under the DTDC model are reminded to make necessary preparations. In particular, such RIs should ensure their systems and operations are ready to handle securities subscription, trading, clearing, settlement and other related services such as depository arrangements, inter-counter transfer and corporate actions under the DTDC model.

Interested RIs can draw reference from the relevant information and guidance issued by the HKEx ([www.hkex.com.hk/eng/market/sec\\_tradinfra/rmbequity/rmbequity.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/rmbequity/rmbequity.htm)) and the [Frequently Asked Questions](#) published by the Securities and Futures Commission on its InvestEd website, to ensure that they and any SEHK Exchange Participants and / or CCASS Participants that they plan to engage as their trading and / or clearing and settlement agents for handling securities transactions and related services under the DTDC model are ready to adopt the DTDC model.

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<sup>1</sup> For example, a DTDC renminbi (RMB) initial public offering is the simultaneous offering and initial listing of a tranche of RMB-traded shares and a tranche of Hong Kong dollar (HKD)-traded shares by the same issuer. All shares from the two tranches are of the same class and all shareholders are treated equally. Upon listing, shares of the two tranches will be traded under two separate counters on the HKEx in their respective currencies (i.e. one in RMB and one in HKD). The trades of the respective counters will be cleared and settled separately under Central Clearing and Settlement System (CCASS) for securities. The DTDC model may entail a mechanism whereby a shareholder may transfer his / her shares from one tranche to the other through the share registrar.

Further, relevant staff from the front-end to the back-end should be properly trained to ensure that they understand and are familiar with the workings of the DTDC model to ensure proper operation as well as handling of customer enquiries.

Yours faithfully,

Meena Datwani

Executive Director (Banking Conduct)

c.c. SFC (Attn: Mr Stephen Po, Senior Director of Intermediaries Supervision)