FII Market Entry Requirements for Stock Connect SPSA+ RDP Model

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| **Important** |  | Citibank Hong Kong will open segregated accounts in the name of the final beneficiary that will be linked to an omnibus CNY account.  As part of the FII account opening process all documentation must be in exactly the same investor name and on the investor's letterhead where appropriate.  True DVP settlement and single-sided settlement is supported under SPSA+ model.  Under this model, single-sided settlement is supported such that our agent bank Citibank NA, HK would settle the trades based on broker’s allegement if no instructions are received from RBC by the required cut-off.  Clients who have chosen to use the 3 designated brokers, i.e., Citi, UBS, and Sanford Bernstein, true DVP settlement is supported via Citi HK’s arrangement with the three panel brokers.  If other brokers are used, true DVP settlement will be supported via the Real-time Delivery Versus Payment (RDP) settlement mode offered by the Hong Kong CSD.  The difference between SPSA+ and SPSA+ & RDP model, SPSA+ & RDP model is the enhanced model of SPSA+. The CSD in Hong Kong launched the RDP settlement mode for Stock Connect to allow the trade to be settled true DVP via the RDP settlement mechanism offered by the CSD. To cope with this market development, RBC enhanced our support for RDP settlement mode under the SPSA+ model. After the expansion of the services coverage under the SPSA+ & RDP model, our clients can use up to 20 brokers at their discretion but they would need to agree with the non-panel brokers to adopt the RDP settlement mode for sell trades settlement.  For those clients who open accounts and opt for SPSA+ model before the SPSA+ & RDP model is launched, if they would like to use the non-panel brokers, they could choose to switch to the SPSA+ & RDP model by signing back the new SPSA+ Letter as they need to acknowledge and accept additional risk to adopt the RDP settlement mode with non-panel brokers.  **Clients should consult with their legal advisors for eligibility to participate in this Stock Connect model and where approval is required from your respective local regulator, please provide confirmation that this approval has been granted.**  For further information, we invite you to consult the latest FAQ provided by HKEX: <http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/Documents/FAQ_En.pdf>  Linkages are authorized |
| **Fees** |  | None |
| **Tax Consultant** |  | Not required |
| **E-signature** |  | Accepted for Broker letter |

## Important features of this model

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|  | **SPSA+ & RDP Model – Suitable for clients subject to true DVP settlement** | |
| ***Brokers*** | Panel brokers1 | Non-panel brokers1 (under RDP settlement) |
| ***Settlement mode*** | * Single-sided settlement2 | * + Single-sided settlement |
| ***True DVP settlement (Yes/No)*** | * Yes * True DVP settlement supported via RBC IS agent bank’s integrated model | * + Yes   + True DVP settlement for sell trades only via RDP settlement mode   + Buy trades will be settled in the market via the standard Receipt Versus Payment (RVP)3 process |
| ***RDP set-up with RBC I&TS’ agent bank*** | * Not required | * + Mandatory to set up a standing instruction (SI) with RBC IS’ agent bank to hardcode “YRTG” in settlement instructions to CCASS for sell trades |
| ***RDP set-up with brokers*** | * Not required | * + Clients must agree with non-panel brokers to always settle sell trades via RDP mode. Failure to do so will lead to failed trades.   + No RDP settlement for buy trades |
| ***Counterparty risk*** | * No counterparty risk * Securities and cash move simultaneously for buy and sell trades | * + No counterparty risk   + For sell trades, securities and cash move simultaneously   + For buy trades, securities will be received prior to cash movement |

Note:

1 “Panel brokers” refers to Citigroup Global Markets Asia Limited, UBS Securities Hong Kong Limited and Sanford C. Bernstein (Hong Kong) Limited. Any brokers other than these three are considered non-panel brokers.

2 Single-sided settlement is an arrangement designed to alleviate time zone constraints in certain geographies due to the short settlement cycle (T+0) of Stock Connect market. Under this arrangement, RBC IS agent bank will automatically create a settlement instruction according to the trade details provided by brokers to CCASS if they do not receive settlement instructions from RBC IS by the agreed deadlines.

## 3 Under the standard RVP process, the securities will be moved a few hours ahead of cash movement.

## Account Opening

**Documentation Required by the Agent**

### Step 1: SAM or Client Representative & Client requirements

Before starting the account opening process all the following points must be completed ***(***Client Market Account Opening team is out of scope):

* SAM or Client Representative has provided the Forex mandate signed by the client
* CSM has provided the Disclaimer letter signed by the client



* Clients have set up brokerage relationship with any of the following 3 panel brokers (Broker contacts as below) or/and other non-panel brokers. Clients could choose to use up to 20 brokers in total.

***Note: Clients who have chosen to use non-panel brokers should agree with these brokers upfront to settle SELL trades via RDP settlement mode. Failure to do so will lead to fail trades which are subject to buy-in.***

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### Step 2: FII Market Entry requirements

### Process to be implemented with Client Market Account Opening team once the above steps are finalized:

* SAM or Client Representative has provided the signed SPSA+ & RDP letter



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| **Timing** | The market timeframe for opening accounts is 15 business days post completion and acceptance of documents by the agent. But the actual timeline is subject to the turnaround time of the brokers on the SPSA Broker Maintenance form (standard form required by HKEX for SPSA opening) as well as the final confirmation from the HKEX on the SPSA effective date. |
| **Sub-custodian** | RBC IS has appointed Citibank as Sub-custodian. Their role is to open and manage the securities account. |
| **Further Details** | Once the SPSA account is opened with HKEX, Citibank Hong Kong will inform RBC and the designated brokers the corresponding SPSA account number and Investor ID for client’s designated brokers to further fill up the SPSA Broker Maintenance form.  Citibank Hong Kong will not verify the information filled in by the designated brokers in the SPSA Broker Maintenance form. Designated broker should ensure to provide the valid signature of the registered Responsible Officer and Company Chop. Any SPSA Broker Maintenance form rejected by HKSCC will be subject to additional administration fee of USD 100. |

## Step-by-step Process: Broker Maintenance Instruction (Adding)

### Step 1: SAM or Client Representative Requirements

Client has to complete and return back the SPSA+ letter to instruct us to link additional broker(s):

Note: Clients who have chosen to use non-panel brokers should agree with these brokers upfront to settle SELL trades via RDP settlement mode. Failure to do so will lead to fail trades which are subject to buy-in.



### Step 2: Client requirements

Client has to liaise with related broker(s) to fill in the SPSA Broker Maintenance form for broker link with CCASS. The SPSA Broker Maintenance form will need to be completed and signed by the broker(s). The broker(s) will return it back to Citibank Hong Kong for further action.

### Process will be implemented once the above steps are finalized.

**Timing** Approx. 6 business days for CCASS to link broker(s)

## Step-by-step Process: Broker Maintenance Instruction (Deletion)

### Step 1: SAM or Client Representative Requirements

### Client has to complete and return back the SPSA Eligible Executing Broker Maintenance Instruction to instruct us for SPSA delink related broker(s):



### Step 2: Client requirements

Client has to liaise with related broker(s) to fill in the SPSA Broker Maintenance form for broker delink with CCASS. The SPSA Broker Maintenance form will need to be completed and signed by the broker(s). The broker(s) will return it back to Citibank Hong Kong for further action.

Below link to download the respective form:

### <http://www.hkex.com.hk/-/media/HKEX-Market/Mutual-Market/Stock-Connect/Reference-Materials/Forms,-Checklists-and-Procedures/SPSA_Designated_Executing_Broker_Maint_Form.pdf?la=en>

### Process will be implemented once the above steps are finalized.

**Timing** Approx. 6 business days for CCASS to delink broker(s)

### Name change

No documents are required for account opening in Hong Kong Stock Connect. However, it is prudent to hold on records client documents to show the legal existence of the client in case the agent or the country regulator requests it.

### Account Closure

### Step 1: SAM or Client Representative Requirements

### Client has to complete and return back the SPSA Eligible Executing Broker Maintenance Instruction to instruct us for SPSA delink related broker(s):



### Step 2: Client requirements

Client has to liaise with related broker(s) to fill in the SPSA Broker Maintenance form for broker delink with CCASS. The SPSA Broker Maintenance form will need to be completed and signed by the broker(s). The broker(s) will return it back to Citibank Hong Kong for further action.

Below link to download the respective form:

### <http://www.hkex.com.hk/-/media/HKEX-Market/Mutual-Market/Stock-Connect/Reference-Materials/Forms,-Checklists-and-Procedures/SPSA_Designated_Executing_Broker_Maint_Form.pdf?la=en>

### Process will be implemented once the above steps are finalized.

**Timing** Approx. 6 business days for CCASS to delink broker(s). Once the deletion completed with all brokers, Citibank Hong Kong will perform the SPSA and securities accounts closure the next day.

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