



**INVESTOR ID MODEL
FOR NORTHBOUND TRADING
UNDER STOCK CONNECT**

HKEX
香港交易所

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WHY IS THE NORTHBOUND INVESTOR ID MODEL INTRODUCED?

International Trend and Hong Kong Market

- European and US markets are implementing Investor ID regimes as part of their MiFID II and CAT plans
- SFC contemplating an investor ID regime in Hong Kong (including SB trading via Stock Connect)

Mainland's Home Market Principle

- Mainland regulator and exchanges request investor information for Northbound (NB) trading to facilitate their market surveillance and monitoring in accordance with the home market principle
- CEPA agreements signed in Jun 2017 mandated a timetable for establishing an investor ID regime for NB trading
- Introduction of NB Investor ID regime will enable more efficient Hong Kong-Mainland cross-border market surveillance

Market Impact

- The model aims to lessen the impacts to market participants on system and operational changes by leveraging on existing infrastructure

KEY FEATURES OF THE NB INVESTOR ID MODEL

Who Are Affected

- **CCEPs** and **TTEPs** need to submit client information
- Investors can **Opt In** to trade Northbound

Code Assignment

- EPs to assign their **Own Codes** to clients
- **No** central registration required for investors

Client Information

- Use **Existing** KYC information to reduce impact to brokers
- **4 Elements**: Name, Issuing Country, ID Type, ID Number
 - both LEI and Certificate of Incorporation are acceptable ID types

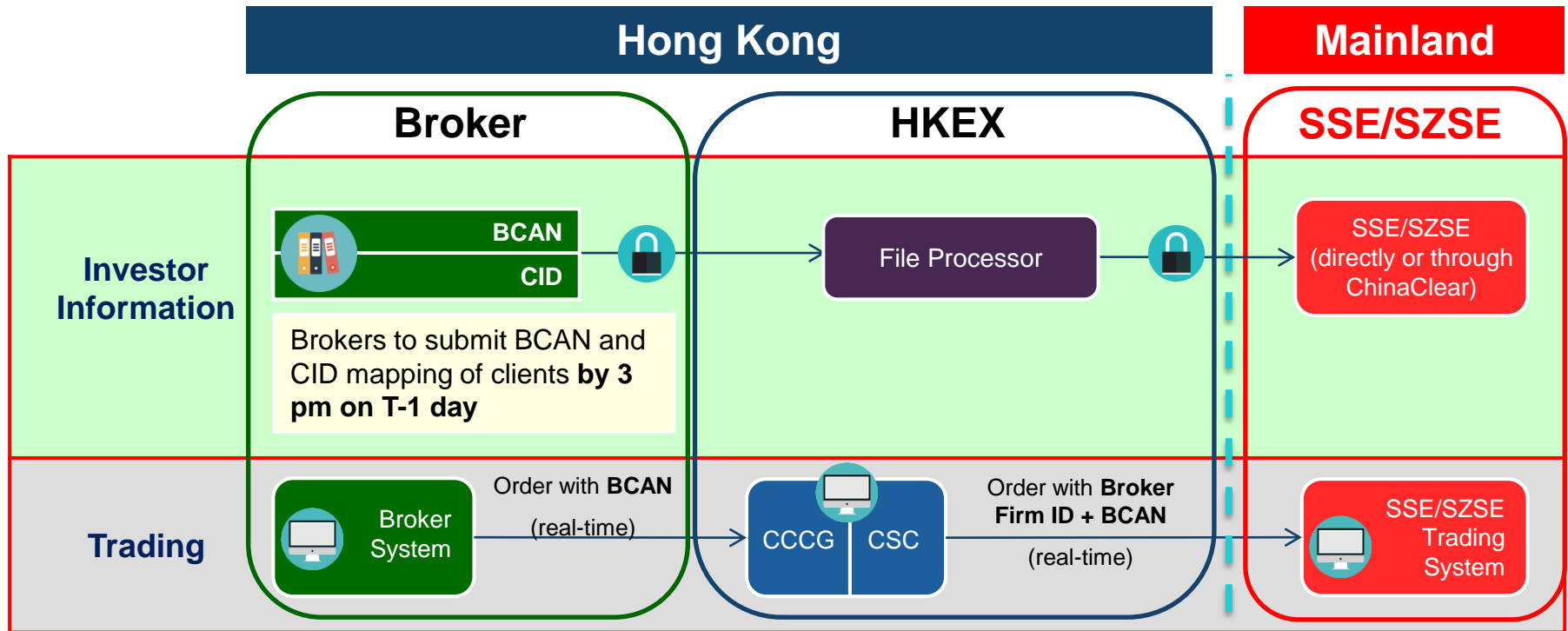
Level of Tagging

- **One** level down to **Non-affiliate** of CCEP/TTEP
- Tag to “Fund Manager” **Or** “Fund”, according to account opening

Use of Data

- For market **Surveillance & Monitoring** only
- **NO** impact to SPSA

ILLUSTRATION OF THE NB INVESTOR ID MODEL



What is Broker-to-Client Assigned Number (BCAN)?

- Unique number assigned by broker to identify specific client
- Follow a standard format (10 numeric digits)
- Must not be changed or reused for other clients

What is Client Identity Data (CID)?

- Individual investors: Name in English and Chinese, ID issuing country/region, ID type and ID number
- Institutional investors: Entity name, Place of incorporation, ID type and ID number
 - Legal Entity Identifier (“LEI”) and certificate of incorporation are acceptable ID types



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SUBMISSION OF BCAN-CID MAPPING

T-1 Day

- Submit BCAN-CID mapping by 3 pm
- Receive Response File within 5 min
- Receive Validation Result File after 6 pm
- Receive BCAN Full Image File after 6 pm

For CCEP only:

- Submit Authorized TTEP Firm List by 3 pm
- Receive Authorized TTEP Firm List Response File within 5 min



T Day

- Tag NB orders with BCANs on a real-time basis



Scenario	Treatment
1. Update for the Mapping File	<ul style="list-style-type: none"> • No update: No need to submit the Mapping File • Any update: Must submit a full mapping file
2. No Mapping File received by 3 pm on T-1 day	<ul style="list-style-type: none"> • Last Mapping File received by SEHK will remain effective
3. More than one Mapping Files submitted on T-1 day	<ul style="list-style-type: none"> • Last Mapping File received before 3 pm (include only records passing format check) will be passed to Mainland exchanges
4. Issues in BCAN / Client data identified by Mainland exchanges	<ul style="list-style-type: none"> • Mainland exchanges will inform SEHK on T-1 day and SEHK will subsequently inform the CCEPs and TTEPs • The corresponding BCANs shall not be used for trading on T day

IMPORTANT NOTES TO CCEP/TTEP

Input of Wrong BCAN

Before Execution: CCEP/TTEP should cancel and re-input the order immediately

After Execution: CCEP/TTEP should report the correct information immediately to SEHK

Client Consent

CCEPs/TTEPs must obtain prescribed consents from individual clients that their *personal information may be provided by SEHK to the relevant Mainland exchanges*

If the necessary consents are not obtained, CCEPs/TTEPs can:

- Only input NB sell order(s) for such client
- Tag **reserved values** as BCAN for such NB sell orders
 - “ 1” for individual clients
 - “ 2” for institutional clients

TTEP Arrangement

- TTEP should obtain dedicated **BCAN ranges** from CCEP for their clients
- TTEP using multiple CCEPs may have different BCANs for the same client
- TTEPs to submit BCAN-CID Mapping **directly to HKEX**

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BCAN TAGGING REQUIREMENT (1)

BCAN

- A client should be a non-affiliate of the CCEP/TTEP
- CCEP/TTEP should assign a BCAN to itself for proprietary trading
- Tagging **every** NB order on a **real-time** basis
 - Orders without BCAN or with BCAN in wrong format will be rejected by SEHK
 - Orders with invalid BCAN will be rejected by Mainland Exchanges

Scenario	Orders From	BCAN Tagging
(i)	A direct client (e.g. orders from a retail investor)	The client

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graph LR; Client((Client  
BCAN)) --> CCEP[CCEP]; CCEP -- "Order tagged with  
BCAN" --> SEHK[SEHK];
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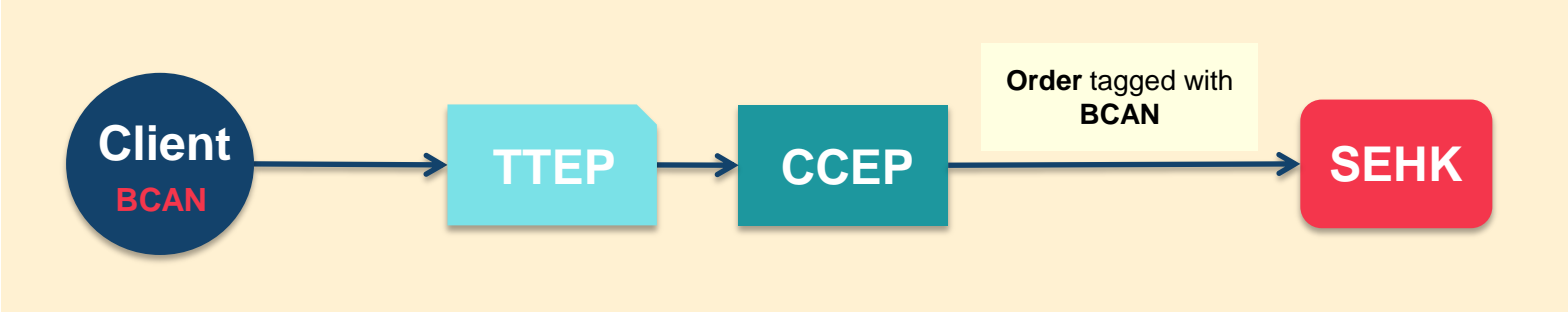
BCAN TAGGING REQUIREMENT (2)

Scenario	Orders from	BCAN Tagging
(ii)	Client routed through different intermediaries	The client who is a non-affiliate
<p>The diagram for scenario (ii) is divided into two regions: Overseas (purple background) and Hong Kong (yellow background). In the Overseas region, a 'Client BCAN' (dark blue circle) sends an order to a 'London Affiliate' (teal box). Both the London Affiliate and the 'HK Affiliate' (teal box) are enclosed in a dashed blue box labeled 'Same group'. The order then flows from the HK Affiliate to 'CCEP' (teal box) in the Hong Kong region. A yellow box above the arrow from CCEP to 'SEHK' (red box) indicates the 'Order tagged with BCAN'.</p>		
(iii)	CCEP/TTEP's (and/or their affiliates') proprietary trading	CCEP/TTEP itself
<p>The diagram for scenario (iii) is set against a yellow background. A teal box labeled 'CCEP/ TTEP BCAN' sends an order to 'SEHK' (red box). A yellow box above the arrow indicates the 'Order tagged with BCAN'.</p>		
<p>Note:</p> <ul style="list-style-type: none"> • CCEP/TTEP should refer to the SFC's Code of Conduct to determine whether the relevant order is a proprietary trade • CCEP/TTEP are required to tag different BCAN for each of their affiliates' proprietary trading 		



BCAN TAGGING REQUIREMENT (3)

Scenario	Orders From	BCAN Tagging
(iv)	TTEP's client	TTEP's client

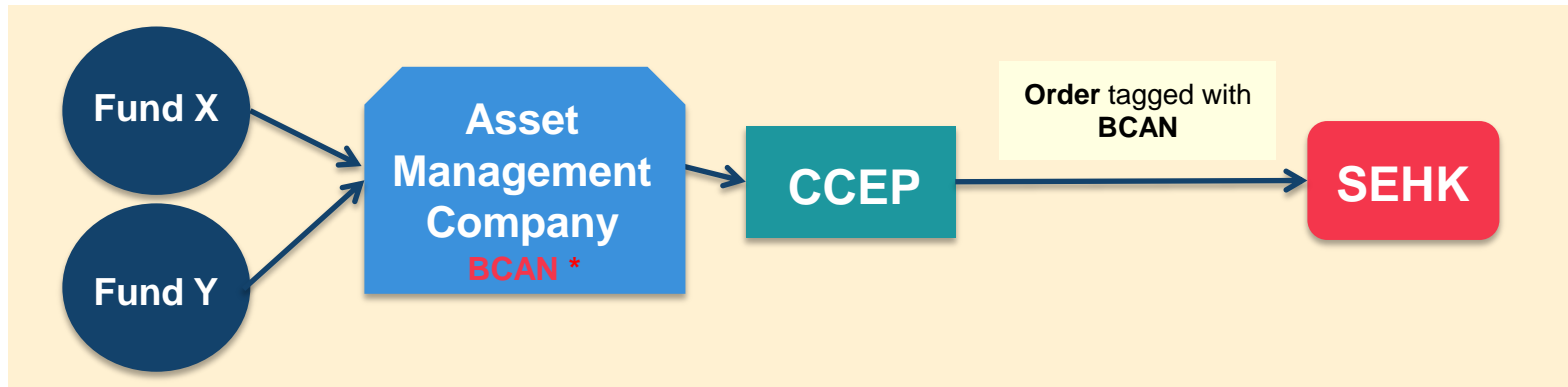


Note: A CCEP executing for TTEPs should set aside BCAN ranges for each of its TTEPs to assign to their clients so that BCANs will not overlap between the CCEP and its TTEPs. Accordingly, TTEPs using multiple CCEPs may be required to generate different sets of BCANs for the same client.

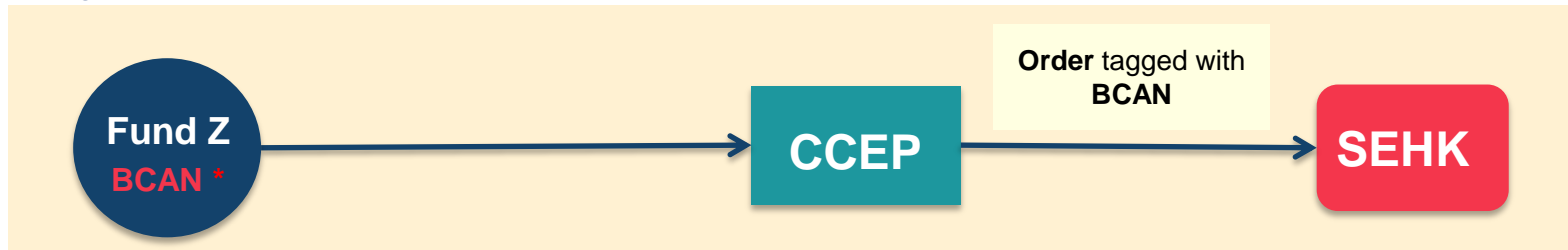
BCAN TAGGING REQUIREMENT (4)

Scenario	Orders From	BCAN Tagging
(v)	An asset management company managing multiple funds	Asset management company / individual fund

NB trading account is opened under the name of the asset management company :



NB trading account is opened under the name of the individual fund Z :



* Surveillance will be conducted on the BCAN level

Note: An asset management company means a corporation licensed by or registered with the SFC whose business involves the discretionary management of collective investment schemes (whether authorized or unauthorized), or a corporation which is licensed, registered or exempt in a place outside Hong Kong recognized by the SFC for an activity which is equivalent to Type 9 regulated activity, and is authorized to manage investments in securities for another person under a written agreement.

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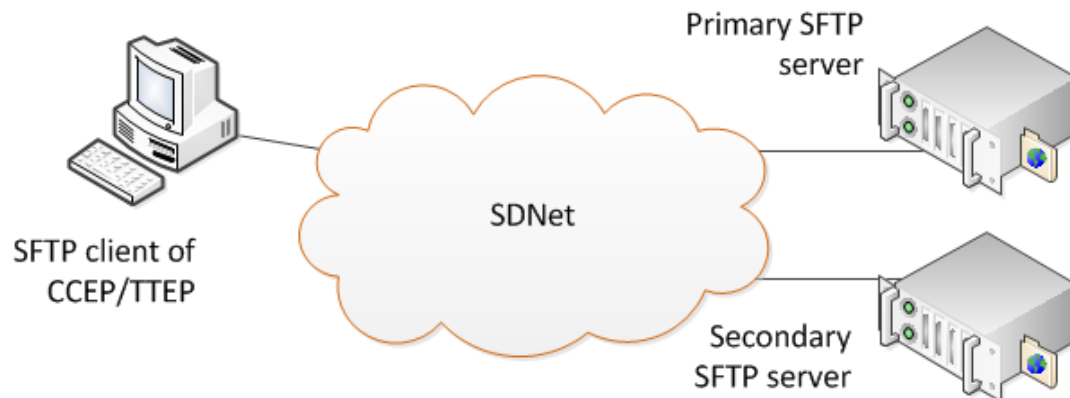
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SUBMISSION OF BCAN MAPPING FILE AND DISTRIBUTION OF RESPONSE FILE

- Text-based file encoded in UTF-8
- Open for submission via SDNet on Northbound trading days
- File transfer using standard Secure File Transfer Protocol (SFTP)
- Each CCEP/TTEP will be issued with two dedicated login accounts
- Key-based authentication
- Mapping files received are processed within few minutes



CCEP	Submit BCAN mappings of their clients.
TTEP	Submit BCAN mappings of their clients within the range assigned by CCEP.

SUBMISSION OF BCAN ALONG WITH NEW ORDER

- Supported by both Binary and FIX protocols of CCGG
- New Party Identification for BCAN added to the New Order Message
- Number data type ranging from 100 to 9,999,999,999 without leading zeroes. 0 to 99 are reserved
- BCAN value is NOT echoed in the Execution Report of order acknowledgement and/or execution
- Amendment of BCAN is NOT allowed

ID	FIX Tag	Binary Field
BCAN	PartyID (448) PartyRole (452) = 3 PartyIDSource (447) = P	BCAN

Order originated from CCEP	Order originated from TTEP
Submit BCAN assigned to the client by CCEP	Submit BCAN assigned to the client by TTEP



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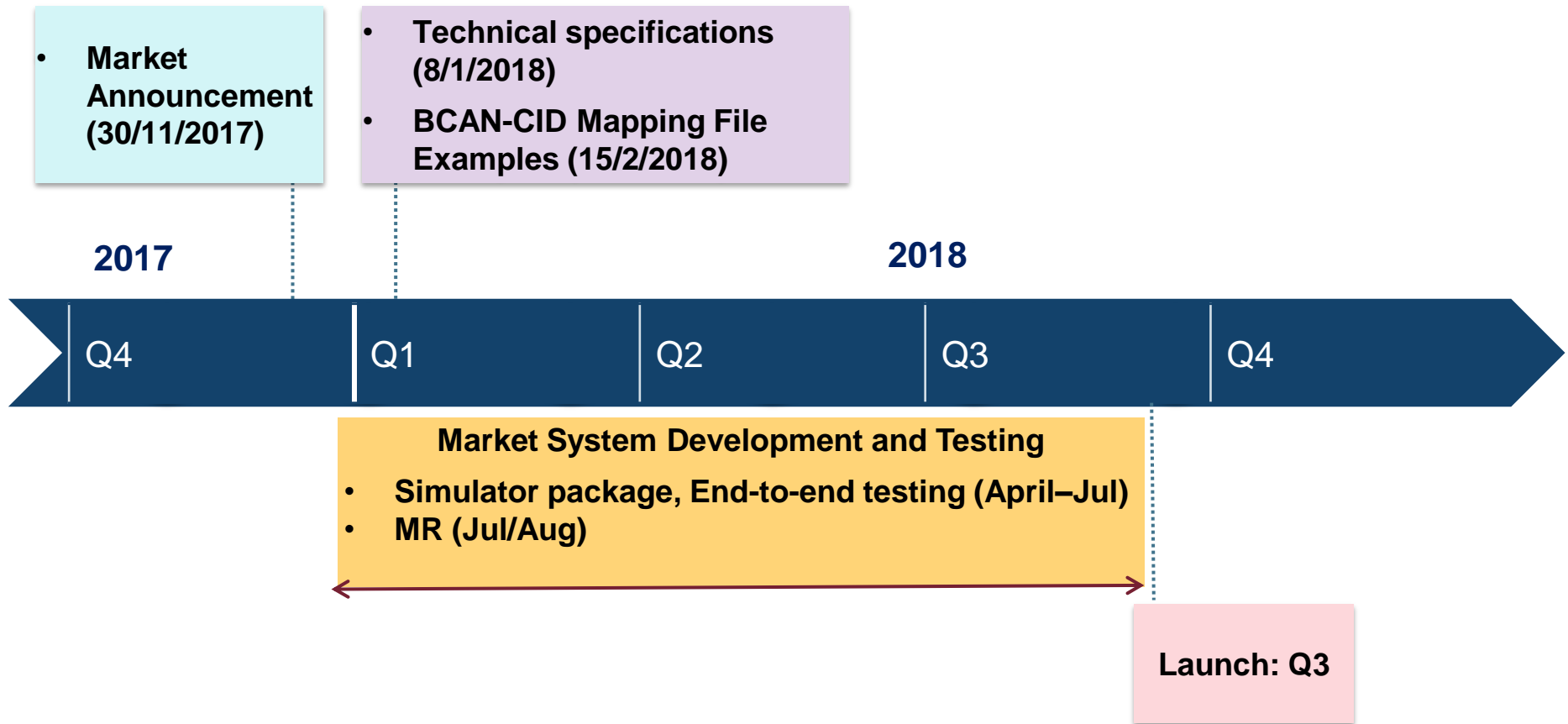
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TENTATIVE IMPLEMENTATION TIMELINE



FURTHER INFORMATION

Northbound Investor ID Model Web Corner

English: <http://www.hkex.com.hk/nbinvestorid>

Chinese: http://www.hkex.com.hk/nbinvestorid_c

