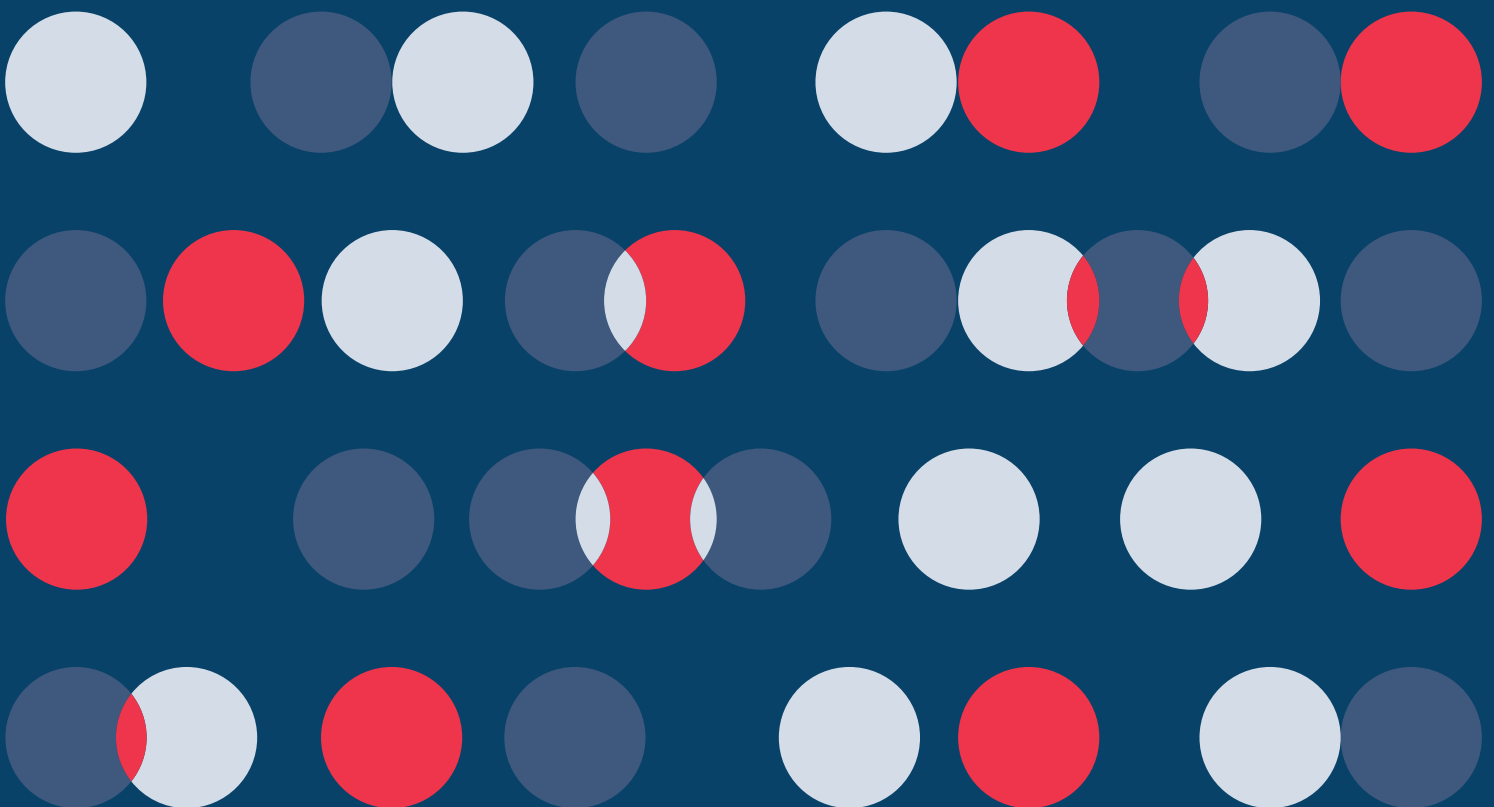


November 2017

**INFORMATION PAPER**

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



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## MODIFICATION HISTORY

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1.1	8 January 2018	Appendix 2 superseded by latest technical specifications	Revised Version

## **TABLE OF CONTENTS**

<b>SECTION 1: INTRODUCTION.....</b>	<b>1</b>
<b>SECTION 2: THE INVESTOR ID MODEL FOR NB TRADING .....</b>	<b>4</b>
<b>SECTION 3: IMPACT ON NB TRADING SURVEILLANCE .....</b>	<b>15</b>
<b>SECTION 4: TENTATIVE IMPLEMENTATION TIMELINE .....</b>	<b>16</b>
<b>APPENDIX 1: ILLUSTRATION OF NB INVESTOR ID MODEL .....</b>	<b>17</b>
<b>APPENDIX 2: TECHNICAL SETUP .....</b>	<b>18</b>

## SECTION 1: INTRODUCTION

1. The securities markets today are becoming larger and more complex, and there is a growing trend among regulators globally to develop an investor identification/Investor ID requirement to facilitate more effective market surveillance capability. Both the European Securities and Markets Authority and the US Securities and Exchange Commission have been in the process of implementing Investor ID regimes, as part of their Markets in Financial Instruments Directive II (“MiFID II”) and Consolidated Audit Trail plans respectively. In the Asia-Pacific region, the Australian Securities and Investments Commission has since March 2014 also introduced in its rules obligations of market participants to provide investor identification data in orders, transactions and trade reports. The above-mentioned international trend is also in line with the three objectives of securities regulation of the International Organization of Securities Commissions (IOSCO) on protecting investors, ensuring that markets are fair, efficient and transparent, and reducing systemic risks.
2. In Hong Kong, the Securities and Futures Commission (“SFC”) is working closely with HKEX to look into how best to implement an Investor ID regime which will identify orders at the client level rather than the broker level to better detect potential misconduct (i.e., “Hong Kong model”<sup>1</sup>).
3. Currently, the Mainland securities markets adopt a trading and clearing see-through model. Under this model, each of the domestic investors and (Renminbi) Qualified Foreign Institutional Investors is required to open a “Yimatong” account which is mapped to the securities accounts that the investor opens for trading on the Mainland exchanges. All orders submitted to the Mainland exchanges must bear the respective securities account numbers which will be further carried to the clearing end. These account numbers are also used for other purposes including but not limited to pre-trade checking, market surveillance and foreign shareholding monitoring. The arrangement is different from that in the Hong Kong securities market as market-wide unique investor identifiers do not yet exist<sup>2</sup> and therefore only identifiers of the executing brokers are submitted to the Mainland exchanges when Northbound (“NB”) trading is conducted under Stock Connect.

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<sup>1</sup> See page 8 of the SFC’s [Annual Report 2016-17](#).

<sup>2</sup> The Securities and Futures Commission is looking into how best to implement an investor identification regime in Hong Kong, see paragraph 2 above.

4. Since the implementation of the trading links of Shanghai Connect and Shenzhen Connect in November 2014 and December 2016 respectively, China Connect Exchange Participants (“CCEPs”) have not been required to include identification information of investors in the NB orders which are routed to the Mainland exchanges through the respective subsidiaries established by SEHK under Stock Connect<sup>3</sup>. However, a surveillance arrangement which involves a manual broker enquiry process by SEHK to identify an investor’s identity has been established between SEHK and the Mainland exchanges to facilitate the Mainland exchanges’ and regulator’s market surveillance on NB orders and trades. Nonetheless, such arrangement does not meet the Mainland securities markets’ need for real-time and all-encompassing surveillance.
5. In September 2016, the China Securities Regulatory Commission (“CSRC”) published a [press release](#) which stated that consensus had been reached by Mainland and Hong Kong regulatory authorities that the establishment of an Investor ID system for NB trading should be actively moved forward. Before the launch of Shenzhen Connect, the CSRC and the SFC had further agreed to assist each other to establish the investor identification arrangement under Stock Connect to ensure the stable operation of Stock Connect. The [Agreement on Economic and Technical Cooperation](#) under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement (“CEPA”) signed on 28 June 2017 by the Central People’s Government and the Hong Kong Special Administrative Region Government also stated that a timetable would be set for the establishment of an investor identification mechanism under the mutual market access scheme.
6. Accordingly, the SFC and HKEX have undertaken to study the feasibility of providing timely investor information for NB trading under a model that should be developed in agreement with the CSRC and the Mainland exchanges. After various discussions, the SFC and the CSRC have reached agreement on a framework for an investor identification system under Stock Connect which takes into account the market practices in Hong Kong, and under such framework HKEX will work closely with the market on the implementation. The proposed model relies on brokers assigning a unique number to each of their NB trading clients (i.e. a “Broker-to-Client Assigned Number” or “BCAN”) and providing the investor identification information (i.e. “Client Identification Data” or “CID”) of such clients to

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<sup>3</sup> Where applicable, references in this information paper to “SEHK” shall include the respective subsidiaries established by SEHK under Stock Connect.

SEHK. The proposed model is only for market monitoring and surveillance purposes. It also has no impact on the existing Special Segregated Account (“SPSA”) model introduced in March 2015 which is used to facilitate pre-trade checking. The proposed Investor ID model for the NB trading is based on transparency and fairness principles, and is also in line with the international trend for securities market supervision.

7. This information paper presents the proposed Investor ID model for the NB trading under Stock Connect, taking into account what would be practical and feasible for market participants to implement within a short timeframe. The SFC and HKEX have discussed the proposed Investor ID model and the implementation timeline presented in this paper with their Mainland counterparts. The implementation of the proposed model is a critical step to facilitate the Mainland exchanges and regulator to conduct their market supervision and surveillance in accordance with the home market principle.
8. In order to address similar market supervision and surveillance issues which the SFC and HKEX face in respect of Southbound (“SB”) trading under Stock Connect, and in line with the principles of mutual regulatory cooperation, fairness and reciprocity, the CSRC has agreed to provide similar Investor ID information in respect of SB trading to the SFC and to implement this as soon as possible after the implementation of the Investor ID model for NB trading.

## SECTION 2: THE INVESTOR ID MODEL FOR NB TRADING

### Overview

9. Under the NB Investor ID model, CCEPs are required to assign a unique BCAN to each of their NB trading clients. Each BCAN should be mapped to the CID of that particular client which includes the client's name, identity document issuing country, ID type and ID number. Each of the CCEPs is required to submit the BCAN-CID mappings of all its NB trading clients in one file (i.e. "BCAN-CID Mapping File") to SEHK. If the BCAN-CID mapping of a client has not been received by SEHK at or before the prescribed T-1 day cut-off time, or such mapping information has failed the relevant validation check<sup>4</sup>, the corresponding client shall not be allowed to place NB orders on T day<sup>5</sup>. "T day" and "T-1 day" refer to NB trading days under the current NB trading calendar.
10. On T day, CCEPs are required to tag the relevant BCAN to every NB order on a real-time basis, which will then be routed to the Mainland exchanges. Appendix 1 illustrates the NB Investor ID model.

### What is a BCAN

11. CCEPs are required to generate and assign a BCAN to each of their NB trading clients following a standard format (as specified in Appendix 2). Each BCAN should be unique to, and be able to identify, a specific client of a CCEP and should be different from the CCEP's existing internal client account number assigned to that client.
- (i) In general, if client X has multiple accounts with a CCEP, the CCEP should generate and assign only one unique BCAN to identify client X, and such BCAN should be tagged in respect of NB trading orders for all of client X's trading accounts with the CCEP.
- (ii) Although a single unique BCAN shall be assigned by the CCEP to identify each client, a separate BCAN shall be used to identify any joint account held

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<sup>4</sup> See paragraphs 19 and 21 below for details of relevant validation check.

<sup>5</sup> Notwithstanding this restriction, in the case where the CCEP fails to obtain the necessary client consent to submit the BCAN-CID mapping to SEHK at or before the prescribed T-1 day cut-off time, the CCEP may nevertheless input NB sell orders for such client in the circumstances set out in paragraph 29 below.



by such client. For example, if client X in (i) above has maintained a joint account with client Y of the CCEP, then the CCEP should generate and assign another unique BCAN to identify that joint account and such BCAN (instead of the BCAN in (i)) should be tagged in respect of NB trading orders for that joint account. The CID of both client X and client Y should be provided under the same BCAN for the joint account;

(iii) For a client who holds accounts with both the CCEP and any of its affiliates respectively, multiple BCANs can be assigned to the same client, yet the different BCANs shall be mapped to the same CID.

12. In the case of Trade-through Exchange Participants (“TTEPs”) which trade NB securities through CCEPs in accordance with Rule 590 of the Rules of the Exchange, their responsibilities to generate and assign BCANs to each of their NB trading clients, provide BCAN-CID Mapping File to SHEK and tag BCANs to NB orders, as described in paragraphs 9 to 11 above, are the same as those of CCEPs. 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 (see the example in paragraph 23(ii) below). Accordingly, TTEPs using multiple CCEPs may be required to generate different sets of BCANs for the same client.

13. The BCAN shall be prepared in such a way not to bear any obvious link to a client’s identity and must be kept strictly confidential. In particular, the BCAN should not be shown on any general enquiry screens, reports or statements (including statements issued to the relevant client), and its use and accessibility (even within the CCEP or the TTEP) should be strictly restricted to a need-to-know basis.

14. The BCAN assigned to a client shall not be changed, and shall not be reused for other clients once assigned. If the CCEP or TTEP needs to change the BCAN in exceptional cases, prior approval from SEHK will be required.

#### What is a CID

15. For each individual client of a CCEP or TTEP, the CID provided by the CCEP or TTEP shall include the following items:

(i) **Name:** the client’s full name as shown on the identity document

- (ii) **ID Issuing Country:** the issuing country or jurisdiction of the individual's identity document
- (iii) **ID Type:** Hong Kong ID card, ID card issued by the government authority of relevant country/region, passport, or any other official identity document
- (iv) **ID Number:** the number of the identity document

16. For each institutional or corporate client of a CCEP or TTEP, the CID provided by the CCEP or TTEP shall include the following items:

- (i) **Name:** the entity's name as shown on the certificate of incorporation or Legal Entity Identifier ("LEI")<sup>6</sup>
- (ii) **ID Issuing Country:** place of incorporation
- (iii) **ID Type:** certificate of incorporation or LEI
- (iv) **ID Number:** certificate number or LEI

17. For CCEPs' and TTEPs' (and/or their affiliates') proprietary trading<sup>7</sup>, each of the CCEPs or TTEPs should assign BCAN(s) for itself as if it were a client, and in the BCAN-CID Mapping File indicate client type to be "proprietary trading" (as specified in Appendix 2) and fill in its own CID. A TTEP's BCAN(s) for proprietary trading should be within the BCAN range designated by its executing CCEP for assigning to such TTEP's clients.

18. CCEPs and TTEPs should establish appropriate arrangements to ensure the investor information included in the CID is accurate and up-to-date, and to also promptly update SEHK of any changes.

#### Submission of BCAN and CID

19. As the NB Investor ID model is intended to facilitate the supervision and surveillance of the trading of Mainland market A shares under Stock Connect, each CCEP shall submit the most up-to-date investor information of its NB trading clients to SEHK.

- (i) Before the market rehearsal that will be conducted for the implementation of

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<sup>6</sup> The Legal Entity Identifier (LEI) is a 20-character, alpha-numeric code, to uniquely identify legally distinct entities that engage in financial transactions issued by "Local Operating Units" of the Global LEI System endorsed by its Regulatory Oversight Committee.

<sup>7</sup> CCEPs and TTEPs should refer to the *Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission* to determine whether the relevant order is a proprietary trade.

the NB Investor ID model, each of the CCEPs and TTEPs will be required to submit to SEHK the BCAN-CID Mapping File of all its NB trading clients on or before a designated date which will be announced in due course.

- (ii) A CCEP will not be allowed to place NB orders for a client on T day unless the client's BCAN-CID mapping information has been submitted in the BCAN-CID Mapping File and received by SEHK at or before the prescribed cut-off time on T-1 day<sup>8</sup>, and such information has passed the relevant validation check.
- (iii) If there is no update to the data in a submitted BCAN-CID Mapping File, the CCEP is not required to submit the BCAN-CID Mapping File again. However if there is any update (e.g. new client, change of investor information, deletion of account, etc.), a full BCAN-CID Mapping File of all the CCEP's NB trading clients shall be submitted to SEHK, including those clients whose BCAN-CID mapping data has not changed.
- (iv) Once SEHK receives a BCAN-CID Mapping File from a CCEP, its system will conduct a validation check on the formatting of file content. A Response File will then be given back to the CCEP for reference. If any formatting error is identified in the records, a list of failed records will be provided in the Response File. The CCEP shall correct the errors and re-submit the BCAN-CID Mapping File to SEHK. If the CCEP has submitted more than one BCAN-CID Mapping File on T-1 day, the last BCAN-CID Mapping File received by SEHK before the prescribed cut-off time<sup>9</sup> (including only records that have passed the validation check) will be passed to the Mainland exchanges. If the CCEP did not submit any BCAN-CID Mapping File by the prescribed cut-off time on T-1 day, the last BCAN-CID Mapping File received by SEHK before the prescribed cut-off time will be processed.

20. TTEPs shall also adhere to the requirements in paragraph 19 above in submitting BCAN-CID Mapping File containing the BCAN-CID mapping information of all their NB trading clients directly to SEHK. Each TTEP shall also include the firm ID(s) of the CCEP(s) through which it trades NB securities for its clients or itself in

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<sup>8</sup> Notwithstanding this restriction, in the case where the CCEP/TTEP fails to obtain the necessary client consent to submit the BCAN-CID mapping to SEHK at or before the prescribed T-1 day cut-off time, the CCEP may input NB sell orders for such client in the circumstances set out in paragraph 29 below.

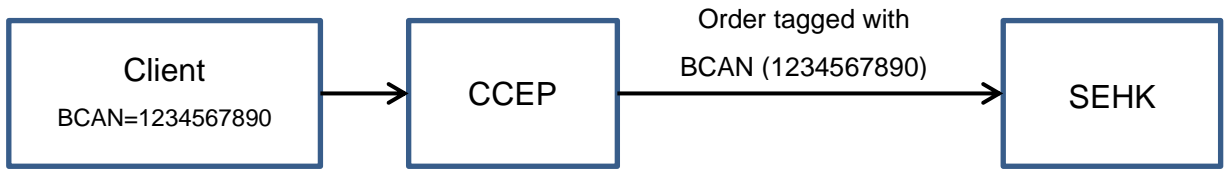
<sup>9</sup> The tentative cut-off time is 3 pm on T-1 day, or as otherwise prescribed by SEHK from time to time.

the BCAN-CID Mapping File.

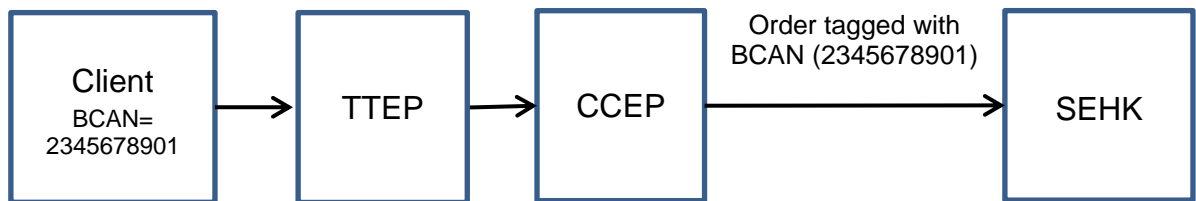
21. SEHK will send the BCAN-CID Mapping Files received from all CCEPs/TTEPs to the Mainland exchanges (directly or through ChinaClear) every NB trading day. The Mainland exchanges or ChinaClear will consolidate and validate the BCANs and CID received. If any issue arises, the Mainland exchanges or ChinaClear will inform SEHK and SEHK will inform the relevant CCEP/TTEP accordingly. The corresponding BCANs may not be used for trading on T day as the relevant orders will be rejected by the Mainland exchanges. SEHK will implement pre-trade checking on NB trading such that NB orders with BCANs which are not correctly formatted will be rejected. The Mainland exchanges will also conduct pre-trade checking on NB orders such that NB buy orders with invalid BCANs and those NB orders the BCANs of which are not within the reserved values or do not match the validated BCANs maintained by ChinaClear will be rejected.

#### Real-time Tagging of BCAN

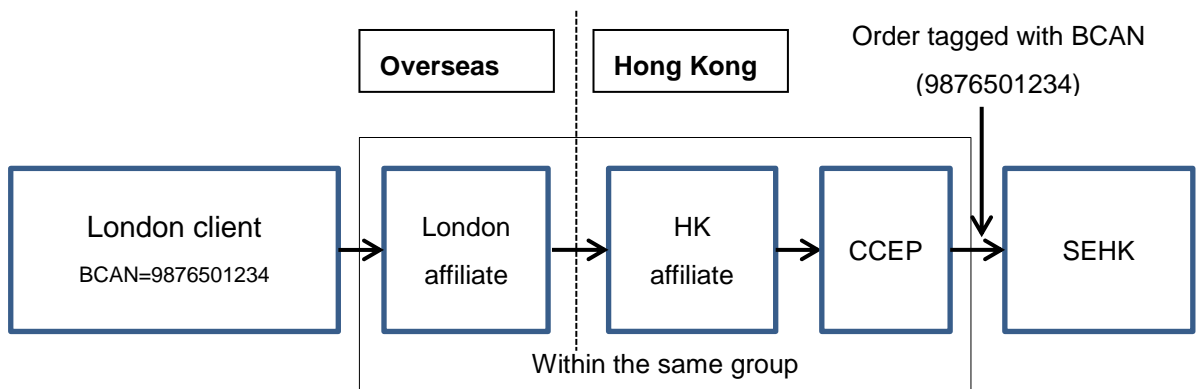
22. CCEPs are required to tag NB trading orders with the corresponding BCANs on a real-time basis when submitting orders to SEHK. If a NB order is submitted without BCAN or with BCAN in incorrect format, the order will be rejected by SEHK. If a NB order is submitted with an invalid BCAN, the order will be rejected by the relevant Mainland exchange.
23. For agency trading, BCAN of the client who is a non-affiliate of the CCEP should be tagged. If a CCEP's direct client is an affiliate, the BCAN at the next level or further levels down is required until the client is not an affiliate. The BCAN of the non-affiliate client and the corresponding CID should be included in the CCEP's BCAN-CID Mapping File. A company is considered an affiliate of another company if the two companies belong to the same "group of companies", as defined under section 1 of Part 1 of Schedule 1 of the Securities and Futures Ordinance ("SFO"). The following examples illustrate the tagging requirements for agency trading in different scenarios:
  - (i) In respect of orders for a direct client (e.g. orders from a retail investor), a CCEP should include the corresponding BCAN of such client in the orders. In this example where the CCEP has assigned a BCAN "1234567890" to the client who directly opens an account with it, the CCEP shall tag "1234567890" in each order of the client when submitting the order to SEHK.



(ii) For orders from a TTEP, the CCEP should include BCAN assigned by the TTEP to the TTEP’s client. A TTEP should assign BCANs to its clients within the BCAN range designated by its executing CCEP for the exclusive use by the TTEP. If a TTEP’s direct client is an affiliate of the TTEP, the BCAN at the next level or further levels down is required until the client is not an affiliate. The BCAN of the non-affiliate client and the corresponding CID should be included in the TTEP’s BCAN-CID Mapping File. In this example where the TTEP has assigned a BCAN “2345678901” to its client, the CCEP should tag “2345678901” in each order of the TTEP’s client when submitting the order to SEHK.



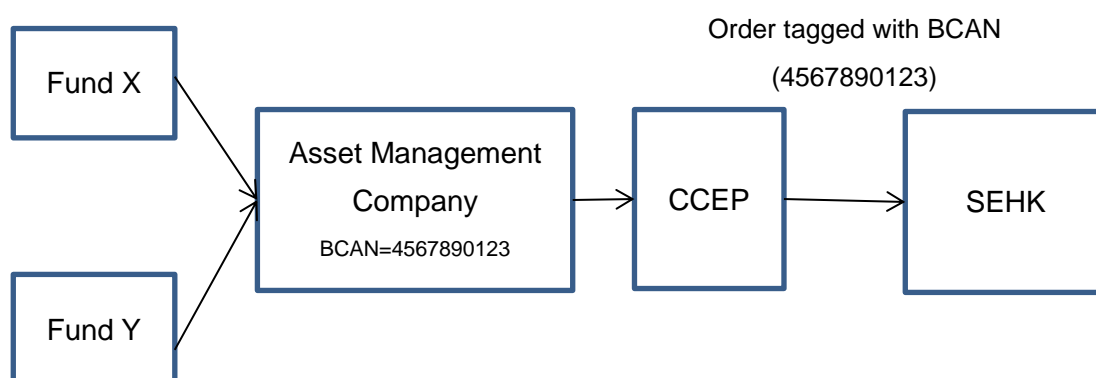
(iii) For orders routed through different intermediaries, a CCEP shall include the BCAN of the client which is a non-affiliate. In this example where orders are originated by an independent client of the London affiliate of the CCEP (“London client”), and where the London client has been assigned a BCAN “9876501234”, the CCEP should tag “9876501234” in each order routed by the London client through the CCEP’s London affiliate when submitting the order to SEHK.



- (iv) For orders from an asset management company<sup>10</sup> managing multiple funds or discretionary accounts (generally referred to as “funds”), a CCEP/TTEP should include the BCAN of the legal entity for which it opens the NB trading account (i.e. BCAN can be assigned to the asset management company or to the individual funds depending on the account opening arrangement), regardless of whether it is affiliated to the CCEP/TTEP or not.

In Example (a) below where the NB trading account is opened under the name of the asset management company, the CCEP has assigned a BCAN “4567890123” to the asset management company. The CCEP should tag “4567890123” in each order of the asset management company when submitting the order to SEHK.

**Example (a)**

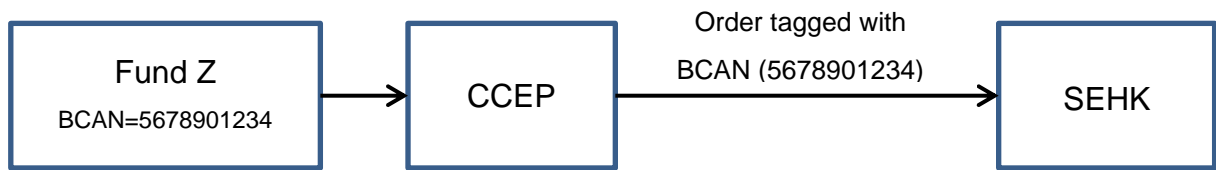


In Example (b) below where the NB trading account is opened under the name of Fund Z and the CCEP has assigned a BCAN “5678901234” to Fund Z, the CCEP should tag “5678901234” to each order from Fund Z (even when the order is placed via an asset management company) when submitting the order to SEHK.

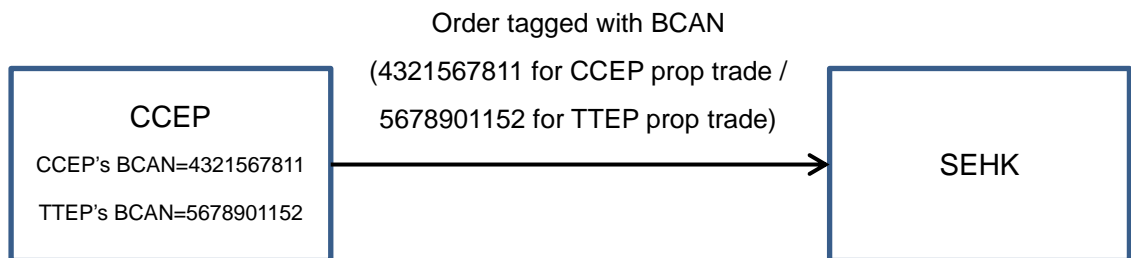
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<sup>10</sup> An asset management company means a corporation licensed by or registered with the SFC whose business involves the discretionary management of collective investment schemes (whether authorized or unauthorized), or a corporation which 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.

### Example (b)



24. For CCEPs' or TTEPs' (and/or their affiliates') proprietary trading (see example below), each of the CCEPs or TTEPs shall tag the BCAN which it has assigned for itself when submitting such orders to SEHK, directly or through an executing CCEP.



25. The BCAN information relating to NB orders and trades will be shared with the relevant Mainland exchanges on a real-time basis.

### Amendments of BCAN Submitted

26. In the event a CCEP is aware that an incorrect BCAN has been tagged to any NB order and such order has not yet been executed, the CCEP should cancel and re-input the order immediately. If the order has already been executed, the CCEP should report to SEHK the correct information immediately.

### PDPO Implications

27. The BCAN-CID Mapping Files comprising individual clients' names and identity document details will be personal data as defined under the Personal Data (Privacy) Ordinance ("PDPO"). As BCANs are assigned by CCEPs/TTEPs to uniquely identify their clients, and clients of CCEPs/TTEPs may include individuals, BCANs can also constitute personal data in the hands of CCEPs/TTEPs. Depending on the nationality or place of business or residence

of the CCEPs, TTEPs and/or their clients, or place of data collection, data protection laws of other jurisdictions may also apply. CCEPs and TTEPs shall comply with all applicable requirements under the PDPO and data protection laws of other applicable jurisdictions when collecting, storing, using, disclosing and transferring personal data under the NB Investor ID model.

28. Pursuant to Rules 14A10 and 14B10 of the Rules of the Exchange, CCEPs are required to make appropriate arrangements (including obtaining the relevant consents) to ensure that information and personal data concerning their clients and the underlying beneficial owners may be disclosed, transferred and provided by SEHK to the relevant Mainland exchanges or ChinaClear for the purposes currently set out in such Rules in compliance with applicable laws including the PDPO. The Rules of the Exchange will be amended to implement the NB Investor ID model and CCEPs and TTEPs should review and, if necessary, make appropriate amendments to their existing client documentation and personal information collection statement (or documents of a similar effect) to ensure that all necessary authorizations and written consents are obtained from their clients regarding the collection, storage, use, disclosure and transfer of personal data under the NB Investor ID model, including:

(A) to allow CCEPs/TTEPs to:

- (i) disclose and transfer clients' BCANs and CID to SEHK and the respective subsidiaries established by SEHK under Stock Connect (the "SEHK Subsidiaries") from time to time, and
- (ii) tag clients' BCANs in the NB orders submitted to the SEHK Subsidiaries which are further routed to the Mainland exchanges on a real-time basis;

(B) to allow each of SEHK and the SEHK Subsidiaries to:

- (i) collect, use and store BCANs and CID (in the case of storage, by any of them or via HKEX) for market monitoring and surveillance purposes and enforcement of the Rules of the Exchange,
- (ii) transfer such information to the Mainland exchanges (directly or through ChinaClear) from time to time, and
- (iii) disclose such information to the relevant regulators and law enforcement



agencies in Hong Kong so as to facilitate performance by them of their monitoring, surveillance and enforcement functions with respect to the Hong Kong securities markets;

(C) to allow ChinaClear to:

- (i) collect, use and store BCANs and CID to facilitate the consolidation and validation of the BCANs and CID and the mapping of such information with its own investor identification database for providing to the Mainland exchanges, SEHK and the SEHK Subsidiaries;
- (ii) use such information for the performance of its regulatory functions of securities account management; and
- (iii) disclose such information to the Mainland regulatory authorities and law enforcement agencies having jurisdiction over ChinaClear so as to facilitate performance by them of their monitoring, surveillance and enforcement functions;

(D) to allow each of the Mainland exchanges to:

- (i) collect, use and store BCANs and CID to facilitate their supervision and surveillance of securities trading on the Mainland exchanges under Stock Connect and enforcement of the rules of the Mainland exchanges, and
- (ii) disclose such information to the Mainland regulatory authorities and law enforcement agencies so as to facilitate performance by them of their supervision, surveillance and enforcement functions with respect to the Mainland securities markets,

in each case in full compliance with applicable laws including the PDPO. Separately, pursuant to Data Protection Principle 3 in Schedule 1 of the PDPO (“DPP3”), where a CCEP/TTEP intends to use a client’s personal data which it has collected for a new purpose (i.e., a purpose or a directly related purpose that was not disclosed to such client at or before the time of collection), the CCEP/TTEP is required to obtain the client’s prescribed consent (i.e., consent given expressly and voluntarily, which consent may subsequently be withdrawn by notice of the data subject in writing) before the personal data is used for the new purpose. As the NB Investor ID model is a newly-introduced arrangement,

the purposes of use of personal data in connection with the NB trading arrangements under the NB Investor ID model will be use of personal data for a new purpose, in which case the requirement for CCEP/TTEP to obtain client's prescribed consent under DDP3 would be triggered unless the CCEP/TTEP has already obtained client's consent to use of personal data which is broad enough to cover use under these arrangements. Simple notification of the new arrangement will not be sufficient for these purposes. As a client will be entitled under the PDPO to withdraw a prescribed consent at any time, it will be necessary, as noted above, to make the provision of an appropriate prescribed consent a condition to the client's use of the CCEP's/TTEP's NB trading services.

29. If the necessary authorizations and consents (both written and prescribed) from an individual client in relation to the collection, storage, use, disclosure and transfer of his/her CID and/or BCAN cannot be obtained by a CCEP or TTEP, or the client's BCAN or BCAN-CID mapping are otherwise invalid or deficient, then, the CCEP or TTEP may only input NB sell order (but not any NB buy order) for such client. The BCAN to be tagged for such NB sell order without the necessary authorizations or consents shall be specific reserved values prescribed by SEHK, respectively assigned for individual clients and institutional clients (as specified in Appendix 2).
30. Under the existing surveillance cooperation arrangements with the Mainland exchanges, client information (i.e. beneficial ownership)<sup>11</sup> may be provided upon request. After the implementation of the NB Investor ID model, SEHK may still require CCEPs and TTEPs to provide beneficial ownership information for their NB orders on an ad hoc basis on top of BCANs and CID to facilitate such surveillance cooperation arrangement.

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<sup>11</sup> For example, as per Rule 14A10 and Rule 14B10 of the Rules of the Exchange, SEHK may require CCEPs to provide information concerning their client(s) (including the identity, address and contact details of the person or entity (legal or otherwise) ultimately responsible for originating the instruction in relation to a transaction (and the instruction given) and of the person or entity (legal or otherwise) that stands to gain the commercial or economic benefit of the transaction and/or bears its commercial or economic risk) with respect to any NB orders for the purpose of, among others, assisting the Mainland exchanges in their regulatory surveillance and enforcement of the rules of the Mainland exchanges.

### **SECTION 3: IMPACT ON NB TRADING SURVEILLANCE**

31. Under the existing market surveillance agreements with the Mainland exchanges in connection with Stock Connect, each of the exchanges endeavours to provide each other with reasonably practicable surveillance cooperation and investigative assistance relating to Stock Connect trading activities. It is expected that the NB Investor ID model could provide SEHK, the Mainland exchanges and relevant regulators with readily available and additional relevant information on NB orders on a timely basis. This would benefit SEHK in market surveillance, and also the industry by potentially reducing the number of information enquiries on CCEPs and TTEPs. In addition, the Investor ID information for NB trading activities would facilitate the Mainland exchanges and regulator to conduct their market surveillance and monitoring in accordance with the home market principle.
  
32. The Mainland exchanges will conduct market surveillance based on BCANs. If any abnormal trading activity is identified in the orders of a specific BCAN, the Mainland exchanges may, according to relevant Mainland laws, regulations and the rules of the Mainland exchanges, take the relevant measures including rejecting all orders associated with that BCAN.
  
33. SEHK will continue to conduct market monitoring for NB trading in accordance with the Rules of the Exchange.

## SECTION 4: TENTATIVE IMPLEMENTATION TIMELINE

34. The launch of the NB Investor ID model is subject to relevant regulatory approvals. The following is a high-level implementation timeline for reference:

- **Market Communications on the Proposed Model (Q4 2017)**

The existing China Connect Open Gateway (“CCOG”) will not support the NB Investor ID model. CCEPs will need to submit BCANs along with NB orders via the China Connect Central Gateway (“CCCG”). The related interface specifications will be published in Q4 2017 (Please refer to Appendix 2 – Technical Setup for details).

- **Market System Development and Testing (Q4 2017 – Q2 2018)**

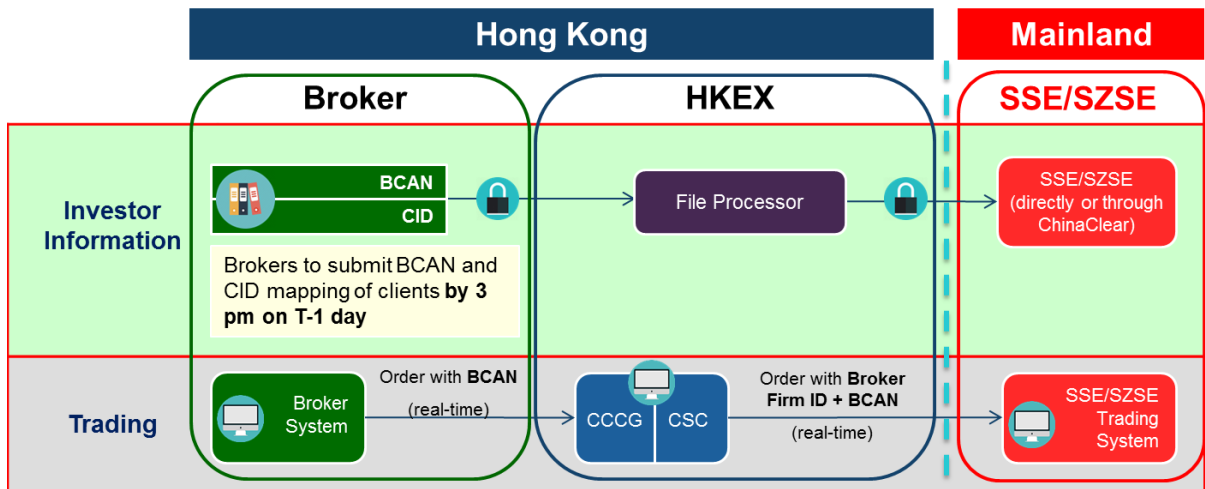
CCEPs and TTEPs are required to develop their internal systems by the end of Q1 2018 for submission of BCANs via CCCG and BCAN-CID Mapping Files via designated facility. HKEX will arrange testing with CCEPs and TTEPs.


Before the market rehearsal, CCEPs and TTEPs are required to submit the BCAN-CID mappings of all NB trading clients on or before a designated date, which will be announced in due course.

- **Launch (Q3 2018)**

Subject to market readiness and approvals of relevant rule amendments, the NB Investor ID model is expected to be launched in Q3 2018.

# APPENDIX 1: ILLUSTRATION OF NB INVESTOR ID MODEL



 Data Encryption

## APPENDIX 2: TECHNICAL SETUP

This section has been superseded by the latest technical specifications available on the [NB Investor ID model web corner](#) of HKEX website.

