

General requirements for Securities Market Makers (SMMs) of Exchange Traded Products (ETPs)

- An applicant for ETP SMM must be an Exchange Participant (EP) of SEHK.
- The applicant must demonstrate that it is suitably qualified in terms of financial standing, risk management, trading record, computer equipment and internal security procedures as stipulated in Explanatory Note EN10.

Specific requirements for SMMs of Leveraged and Inverse Products (L&I Products)

- In addition to the general requirements stated above, an applicant for L&I Product SMM must possess at least 1 year prior L&I Products official market making experience, specifically:
 - The EP must have at least 1 trading person in Hong Kong who has participated in market making of L&I Products in Hong Kong and/or overseas markets; or
 - Where a group entity will provide technical assistance to the EP, the relevant group entity has at least 1 trading person who has participated in market making of L&I Products in Hong Kong and/or overseas markets.
- An SMM for ETFs in Hong Kong may also be eligible to make markets for L&I Products after it has become a Participating Dealer for L&I Products in Hong Kong for at least 1 year.
- Each SMM of L&I Products must be endorsed by the particular L&I Product issuer prior to applying for SMM permit for the L&I Product from HKEX.

Requirements for market making affiliates

- If the SMM holds its market maker positions in the accounts of an affiliate, the affiliate must meet at least one of the following criteria:
 - A regulated entity is one regulated by an exchange, clearing house, independent authority or commission which is acceptable to HKEX;
 - The affiliate must have and must maintain a current credit rating of A- or above (Standard & Poor's) or A3 or above (Moody's);
 - The paid-up capital of the entity must be at least equal to the equivalent of HK\$50,000,000 and its shareholders' funds must be at least the equivalent of HK\$100,000,000 at all times; or
 - Other exemptions may be sought for special cases but it is not envisaged that exemptions will be granted other than in exceptional circumstances.

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