

**Rules of the Exchange**

**CHAPTER 1**

**INTERPRETATION**

“Tender Process” means the process undertaken prior to the tenth anniversary of the Scheme Effective Date whereby a holder of Stock Exchange Trading Right that was granted under the Stock Exchange Scheme and that had not been transferred or deemed to have been transferred may relinquish its Stock Exchange Trading Right upon the invitation of the Exchange for tender subject to such terms and conditions as the Exchange may in its absolute discretion determine from time to time and prescribe in the tender invitation;

**CHAPTER 3**

**EXCHANGE PARTICIPANTSHIP**

306. (3) the Board may revoke its Stock Exchange Trading Right .

311A. (a) Ownership of a Stock Exchange Trading Right will be recorded in an appropriate manner by the Exchange. Subject to Rule 3A18, a holder of a Stock Exchange Trading Right will be issued with an appropriate instrument which shall be prima facie evidence of the entry of his or its name in the register of holders of Stock Exchange Trading Rights kept by the Exchange.

(b) With effect from the tenth anniversary of the Scheme Effective Date, Stock Exchange Trading Rights held as from the Scheme Effective Date which were granted under the Stock Exchange Scheme are not transferable. For purposes of this Rule 311A(b), the following will not be transfers:

(A) the transmission of a Stock Exchange Trading Right to a person in consequence of the death of its recorded holder;

(B) the assignment of a Stock Exchange Trading Right from an individual to a company of which he is the sole beneficial owner; and

(C) a liquidator, receiver or trustee in bankruptcy taking possession of a Stock Exchange Trading Right in such capacity.

For the avoidance of doubt, the person and the company to whom a Stock Exchange Trading Right is transmitted or assigned and the liquidator, receiver or trustee in bankruptcy taking possession of a Stock Exchange Trading Right shall abide by these Rules and any decision of the Board as if he or it were the recorded holder.

(c) [Repealed]

311B. No person may resign as an Exchange Participant of the Exchange and no holder of a Stock Exchange Trading Right may relinquish his or its Stock Exchange Trading Right(s) except with the prior written approval of the Board which may be given subject to any conditions the Board thinks fit. Pending such approval, these Rules shall continue to bind any Exchange Participant or holder of a Stock Exchange Trading Right which has given notice of resignation or relinquishment as if such notice had not been given and the jurisdiction of the Exchange over that Exchange Participant or holder of a Stock Exchange Trading Right, his or its business, affairs and employees shall be in no way affected by such notice.

342. [Repealed]

343. [Repealed]

### **Incapacity**

346. The receiver or liquidator (as the case may be) who shall have full charge and power over the assets of an Exchange Participant affected by the events referred to in Rule 345 (referred to hereinafter as the ‘affected Exchange Participant’) shall abide by these Rules and any decision of the Board as if he were the affected Exchange Participant but shall not be entitled to be registered as an Exchange Participant.

347. [Repealed]

349. [Repealed]

350. [Repealed]

352B. (4) An Exchange Participant shall report to the Exchange loss of an Exchange Participant Certificate and apply for issue of a duplicate certificate. A notice advertising the loss will be published in an English language newspaper and a Chinese language newspaper and the costs of such advertisement shall be borne by the Exchange Participant. After the publication of the notice, a duplicate Exchange Participant Certificate will be issued to it. The duplicate Exchange Participant Certificate shall then be displayed at the Exchange Participant’s principal business address.

(5) An Exchange Participant whose Exchange Participant Certificate is defaced may apply to the Board for a replacement certificate, and attach with such application any defaced certificate for cancellation. A replacement Exchange Participant Certificate will be issued to the applicant in due course. The replacement Exchange Participant Certificate shall then be displayed at the Exchange Participant’s principal business address.

### **Trading Facilities**

364B. (1C) (a) An Exchange Participant which has applied for the use of a Dealing Desk before the Cessation Date undertakes and agrees with the Exchange to accept any Dealing Desk assigned, re-assigned, allocated or re-allocated to it by the Exchange and to use and pay the monthly user fee for the Dealing Desk for the whole of the Binding Period unless otherwise determined by the Exchange.

(1D) [Repealed]

(5) Subject to payment of early termination charge under Rule 364B(2A)(a) where applicable, an Exchange Participant may apply to the Exchange to change its additional AMS terminal applied for or entitled under Rule 364B to an increase in the throughput rate of an order into the System through its Open Gateway and vice versa. No Exchange Participant shall have any right to apply for reinstatement of any Seats.

364C. (3) The right of an Exchange Participant to use any Dealing Desk assigned, re-assigned, allocated or re-allocated by the Exchange under this Rule 364C shall be non-transferable and non-assignable.

### **CHAPTER 3A STOCK EXCHANGE TRADING RIGHTS**

#### **Application Procedures for the Issue of a Stock Exchange Trading Right**

3A03A. (c) [Repealed]

(d) An applicant whose application has been approved by the Board shall not be issued a Stock Exchange Trading Right unless and until it has paid in full all fees (including the fee for the Stock Exchange Trading Right) from time to time prescribed by the Board and complied with any other conditions prescribed by the Board.

(f) The applicant will be notified in writing as soon as its application for a Stock Exchange Trading Right has been approved. It shall become a holder of a Stock Exchange Trading Right upon its name being registered in the register of holders of Stock Exchange Trading Rights.

#### **Payment of Subscription**

3A04. All holders of Stock Exchange Trading Rights shall be liable to pay monthly subscription or other fees and charges and determined by the Exchange from time to time provided that holders of Stock Exchange Trading Rights which are Exchange Participants shall only be liable to pay the monthly subscription applicable to Exchange Participants.

#### **Stock Exchange Trading Rights**

3A05. All holders of Stock Exchange Trading Rights are bound to observe the provisions relating to the subsistence and non-transferability of Stock Exchange Trading Rights stated in Chapter 3 of these Rules.

**Disciplinary Matters**

- 3A07. A holder of a Stock Exchange Trading Right who in any manner contravenes these Rules, the Regulations, the Procedures, any conditions imposed on the approval of issue or transfer of a Stock Exchange Trading Right or any other requirements imposed on a holder of a Stock Exchange Trading Right may be liable to disciplinary proceedings. The disciplinary proceedings and the disciplinary powers that may be exercised against Exchange Participants set forth in Chapter 7 of these Rules shall mutatis mutandis apply to disciplinary proceedings and disciplinary powers that may be instituted or exercised against a holder of a Stock Exchange Trading Right.
- 3A08. The Board may exercise any of the following disciplinary powers against a holder of a Stock Exchange Trading Right :
- (c) to revoke his or its Stock Exchange Trading Right as set forth in Rule 3A11;
  - (d) [Repealed]
  - (e) to suspend or revoke his or its Stock Exchange Trading Right.

**Revocation of Trading Rights**

- 3A11. If an Exchange Participant is expelled for any reason, the Exchange may revoke the Stock Exchange Trading Rights of the Exchange Participant subject to the provisions of Chapter 7 in these Rules.

**Relinquishment of Stock Exchange Trading Right**

- 3A13. (a) A holder of a Stock Exchange Trading Right may, without affecting existing rights or obligations which have accrued and subject to these Rules, at any time relinquish his or its Stock Exchange Trading Right without penalty or compensation whereupon his or its name shall be removed from the register of holders of Stock Exchange Trading Rights.
- (b) Notwithstanding Rule 3A13(a), the holder of the Stock Exchange Trading Right whose tender has been selected under a Tender Process shall relinquish its Stock Exchange Trading Right within six months from the date of the notice of acceptance of the tender issued by the Exchange and in accordance with the procedures as from time to time determined by the Exchange. Any payment due to the holder of Stock Exchange Trading Right will be made by the Exchange as soon as practicable after he or it has relinquished his or its Stock Exchange Trading Right.
- (c) The holder of the Stock Exchange Trading Right shall be deemed to relinquish his or its Stock Exchange Trading Right at the expiry of six months under Rule 3A13(b) and whereupon the holder of the Stock Exchange Trading Right shall be removed from the register of holders of Stock Exchange Trading Rights.

- 3A13A. (a) Notwithstanding Rule 3A13, a corporate holder of a Stock Exchange Trading Right which intends to re-organize its business of dealing in securities by having that business being conducted under one single entity together with that of the business of dealing in futures contracts or any similar re-organization may, at any time and subject to such conditions from time to time prescribed by the Exchange, apply to relinquish its Stock Exchange Trading Right to such entity which shall be a company within its own group of companies.
- (b) For the purposes of Rule 3A13A(a), the holder of the Stock Exchange Trading Right shall complete, sign and deliver to the Exchange an application in writing in such form as the Board may from time to time prescribe to relinquish its Stock Exchange Trading Right and to nominate a company within its own group of companies to take up a new Stock Exchange Trading Right to be issued by the Exchange if its application to relinquish its Stock Exchange Trading Right under Rule 3A13A(a) is approved by the Board. The company so nominated by the holder of the Stock Exchange Trading Right shall simultaneously apply to become an Exchange Participant (if it is not already an Exchange Participant) in accordance with these Rules. Upon the issue of a Stock Exchange Trading Right to the company so nominated, it shall simultaneously become an Exchange Participant.
- (d) The holder of the Stock Exchange Trading Right shall be deemed to relinquish its Stock Exchange Trading Right when the new Stock Exchange Trading Right is issued to the company so nominated and whereupon its name shall be removed from the register of holders of Stock Exchange Trading Rights.
- (e) The decision of the Board in respect of an application to relinquish a Stock Exchange Trading Right under Rule 3A13A shall be final and conclusive.

#### **Register of holders of Stock Exchange Trading Rights**

3A16. The Exchange shall establish a register of the holders of Stock Exchange Trading Rights, and enter therein the following particulars : -

- (d) [Repealed]

#### **Exchange Trading Right Certificate**

3A18. Each holder of a Stock Exchange Trading Right will be issued an Exchange Trading Right Certificate except that no Exchange Trading Right Certificate (including duplicate Exchange Trading Right Certificate and replacement Exchange Trading Right Certificate) or any other instrument will be issued to holders of Stock Exchange Trading Rights from the tenth anniversary of the Scheme Effective Date.

3A19. [Repealed]

**CHAPTER 7**

**DISCIPLINARY**

720. If an Exchange Participant is expelled for any reason, the Board may, with effect from the date of expulsion, revoke any Stock Exchange Trading Right of the Exchange Participant. Upon revocation, the name of the Exchange Participant shall be removed from the register of holders of Stock Exchange Trading Rights kept by the Exchange. The Exchange shall not, by virtue of anything done under this Rule, be deemed to have assumed or acquired any obligation attaching to the Stock Exchange Trading Right(s) of the Exchange Participant and the Exchange Participant shall have no claim against the Exchange whatsoever.
721. In the event that an Exchange Participant is expelled and any Stock Exchange Trading Right of the Exchange Participant is revoked as referred to in Rule 720, the Exchange Participant shall remain indebted to the Exchange for all monies owed to the Exchange, including but not limited to all legal and other incidental costs or disbursements incurred by the Exchange in connection with the expulsion and revocation and any sums owing by the Exchange Participant to the Exchange (whether in its capacity as an Exchange Participant, holder of a Stock Exchange Trading Right or in any other capacity), any recognized exchange controller which is the controller of the Exchange or any company of which a recognized exchange controller which is a controller of the Exchange is a controller.

**CHAPTER 8**

**PAYMENT OF FEES AND CHARGES**

802. Without limitation to the generality of Rule 801 above, the Board may impose fees and charges in respect of:-

<u>Fee Type</u>	<u>Amount (HK\$)</u>
(2A) (a) Stock Exchange Trading Right (other than those issued under the Stock Exchange Scheme and under Rule 3A13A)	500,000 per Stock Exchange Trading Right
(b) Stock Exchange Trading Right under Rule 3A13A.	10,000