

## Compliance Reminder on Reporting of Manual Trades

Under Chapter 5 of the Rules of the Exchange, EPs should observe the general principles of the relevant rules and establish effective controls and processes to ensure that manual trades are reported accurately and timely to the Exchange.

In the 2017 Annual Attestation and Inspection Programme, some EPs were found deficient in the following areas:-

### 1. Reporting of Manual Trades

- *Failure to report manual trades to the Exchange within the prescribed timeframe due to ineffective or inappropriate operation and system controls.* We noted that some EPs, due to the default setting of their reporting systems, would report manual trades concluded during the Closing Auction Session on the following trading day (before 9:45am).

Under Rules 501E(2), 501F, 520(1), and 526(1) of the Rules of the Exchange, EPs are required to report manual trades to the Exchange within the prescribed timeframe:

- Within 15 minutes after the conclusion of the transactions in respect of direct and non-direct business transactions; and
- Immediately, and in any case, within 1 minute after the conclusion of the transactions in respect of direct business transactions which are ATS transactions,

and in any event not later than the timeframe as stipulated in the relevant rules.

In the case of manual trades concluded during the Closing Auction Session, details of the transaction should be inputted no later than the end of the Closing Auction Session.

### 2. Post-trade Review of Reported Manual Trades

- *Inadequate policies and procedures in respect of post-trade review on reported manual trades and handling of error trade.*

Under Rule 528(1) of the Rules of the Exchange, EPs are required to review both sales and purchases journals at the end of each trading session, and to report any discrepancy, erroneous transaction or compliant to the Exchange not later than 15 minutes after commencement of the Morning Session of the next trading day.

### 3. Staff Training

- *Inadequate staff training.* Some EPs did not provide mandatory and product-specific training for staff involved in the business activity in the Priority Areas, and merely relied on on-the-job training through sharing and coaching by senior staff members.

To foster a culture of compliance, the Exchange wishes to remind EPs that they should provide staff with adequate and appropriate training both initially and on an ongoing basis.