

香港交易及結算所有限公司是《證券及期貨條例》所述的認可控制人，亦為香港聯合交易所有限公司、香港期貨交易所有限公司、香港中央結算有限公司、香港聯合交易所期權結算所有限公司、香港期貨結算有限公司及香港場外結算有限公司的控制人。

Hong Kong Exchanges and Clearing Limited is a recognized exchange controller under the Securities and Futures Ordinance which is the controller of The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited, Hong Kong Securities Clearing Company Limited, The SEHK Options Clearing House Limited, HKFE Clearing Corporation Limited and OTC Clearing Hong Kong Limited.

通告 CIRCULAR

Subject: Compliance Bulletin (Issue No. 6) – (i) Stock Connect Odd Lot Trading Requirement, (ii) Clearing Rules Obligations and (iii) Hong Kong Investor Identification Regime (“HKIDR”)

**Enquiry: Odd Lot Trading Requirement / Clearing Rules Obligations: surveillance@hkex.com.hk
HKIDR: HKIDR@hkex.com.hk**

As part of our continuous efforts to promote transparency and compliance culture of our marketplace, the Exchange has prepared a Compliance Bulletin to offer the industry a better understanding of our enforcement work and regulatory expectations. It includes as a reminder on (i) the odd lot trading requirement under Stock Connect; (ii) Clearing Rules Obligations; and (iii) certain updates regarding the upcoming launch of HKIDR.

Concerning matters in relation to the upcoming launch of HKIDR, reference is made to the circular issued by the Exchange dated 12 December 2022 (Ref. No.: [CT/157/22](#)). Meanwhile, attention should be drawn to the publication of an updated set of [Frequently Asked Questions on HKIDR File Submission and Order Tagging](#), in which Question G-1 has been enriched in order to assist Relevant Regulated Intermediaries and other market participants to better understand the key differences between the HKIDR and the Northbound Investor ID Regime.

The Exchange would like to point out that the requirements and examples set out in this compliance bulletin are by no means exhaustive. Exchange Participants and Clearing Participants (collectively “**Participants**”) should always take into consideration their own circumstances to adopt appropriate internal controls and measures to ensure full compliance with the relevant rules and requirements.

Participants are strongly advised to review their current set up and implement appropriate measures to strengthen their controls. Any identified non-compliance incidents should be reported to the Exchange as soon as practicable.

Participants are also encouraged to contact the Market Surveillance and Monitoring Department (email: surveillance@hkex.com.hk) should they have any questions on the above.

Felix Wang
Head of Market Surveillance and Monitoring
Operations Division

This circular has been issued in English together with Chinese translation of the same. If there is any discrepancy between the Chinese translation and the English version, the English version shall prevail.



COMPLIANCE BULLETIN

Issue No.6

HKEX
Market Surveillance and Monitoring Department

December 2022



HKEX
香港交易所

Disclaimer

The information contained in this presentation is for general informational purposes only and does not constitute an offer, solicitation, invitation or recommendation to subscribe for or purchase any securities or other products or to provide any investment advice of any kind. This presentation is not directed at, and is not intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Hong Kong Exchanges and Clearing Limited (“HKEX”), or its subsidiaries (together, the “Entities”, each an “Entity”), or any of their affiliates, or any of the companies that they operate, to any registration requirement within such jurisdiction or country.

The Entities, their affiliates and the companies that they operate do not guarantee the accuracy, validity, timeliness or completeness of the information or data contained herein for any particular purpose, and shall not accept any responsibility for, or be liable for, errors, omissions or other inaccuracies in the information or for the consequences thereof. The information set out in this presentation is provided on an “as is” and “as available” basis and may be amended or changed. It is not a substitute for professional advice which takes account of your specific circumstances and nothing in this presentation constitutes legal advice. The Entities, their affiliates and the companies that they operate shall not be responsible or liable for any loss or damage, directly or indirectly, arising from the use of or reliance upon any information provided in this presentation.



Contents

01 | Stock Connect – Odd Lot Trading Requirement

02 | Clearing Rules Obligations



**Stock Connect
Odd Lot Trading Requirement**



Stock Connect Odd Lot Trading Requirement

Key Points to Note

Reference is made to SEHK Rules 14A06(3) and 14B06(4)¹, “China Connect buy orders involving odd lots are not allowed. A sale of odd lots is allowed provided that the China Connect sell order relates to the sale of all, and not part, of the odd lots held in respect of a China Connect Security for a China Connect Exchange Participant or for a client (as the case may be).”

On 7 November 2022, Shanghai Stock Exchange (“SSE”) and Shenzhen Stock Exchange (“SZSE”) respectively published FAQ² in relation to A Share Odd Lot Trading

1. If the relevant A shares the investor holds is under the custody of the securities firm, the securities firm shall ensure that the odd lot to be sold via it is the total number of odd lot shares of the same stock held by the investor under the custody of that securities firm, before the odd lot sell order can be submitted.

If the relevant A shares the investor holds are not under the custody of the securities firm:

- That securities firm does not need to confirm with the investor whether the odd lot order submitted includes all the odd lot shares s/he holds of the same stock i.e. no need to confirm whether the investor holds an odd lot of the same stock at other securities firms or custodians before the sell order can be submitted.
- However, it is the securities firm’s responsibility to ensure in an appropriate manner that the investor is aware of his or her responsibility to comply with the relevant rules regarding odd lot trading.

2. For an investor who places a sell order for a round lot through a securities firm, but only part of the order is executed resulting in a remaining odd lot of unexecuted stocks:

- If whose A shares are under the custody of a securities firm, when the investor cancels the remaining unexecuted odd lot in the order and the re-submits for selling, that firm needs to ensure that the odd lot re-submitted for selling includes all the odd lot shares of the same stock held by the investor before it can be submitted to sell.
- If whose A shares are not under the custody of a securities firm, that firm does not need to ensure that the odd lot re-submitted for selling includes the same number of shares as odd lot of the same stock held by the investor i.e. no need to confirm with the investor whether s/he holds other odd shares of the same stock through other securities firm(s) or custodian(s) before submitting the sell order.



¹ FAQ for A Share Odd Lot Trading published by SSE: <http://english.sse.com.cn/access/stockconnect/faq/> and SZSE: <http://www.szse.cn/enSzhk/faqs/> (refer to Q15-18)

² SEHK Rules: [Chap_14a_eng.pdf \(hkex.com.hk\)](http://www.hkex.com.hk/Chapter14a.htm) and [Chap_14b_eng.pdf \(hkex.com.hk\)](http://www.hkex.com.hk/Chapter14b.htm)

Stock Connect Odd Lot Trading Requirement (Con't)

Key Points to Note

3. **Suppose** an investor, whose A shares are under the custody of a securities firm, places a sell order for a round lot and a sell order for an odd lot through a securities firm:
 - If the 1st order cannot be sold in round lot, the remaining unfilled quantity is the number of an odd lot; and the 2nd order (an odd lot sell order) has not been filled,
 - the investor does not need to cancel the 2nd order (an odd lot sell order) and is not required to combine it with the previous unfilled odd lot sell order.

4. **Suppose** an investor trades A shares through multiple trading accounts and some of the accounts may hold odd shares of the same stock at the same time,
 - the investor should place a sell order for all the odd lot shares of the same stock held in the corresponding trading account in one go.



Clearing Rules Obligations



Clearing Rules Obligations

1. Continuing Obligations (applicable to HKSCC / HKCC / SEOCH)

Key Information

- Every Participant must at all times **notify the clearing houses of any changes in the details supplied at the time of admission and thereafter**, including but not limited to anything relating to such Participant, its directors or employees which would render inaccurate incomplete or superseded a statement or information previously furnished by such Participant to the clearing houses.

(CCASS Rule 1703 (iii) / SEOCH Rules 403(17) / HKCC Rule 214(n))

- CCASS Participants (other than Corporate Investor Participants) must inform HKSCC in writing of any change of their Designated Officer and/or Alternate Designated Officer and Corporate Investor Participants must inform HKSCC in writing of any change of their Designated Officer by completing and submitting the prescribed form **at least three Business Days before the change takes effect**.

(CCASS Operational Procedures 2.6)

Key Highlights and Reminder

- Participants need to submit “AC 13 - *Change of Company Particulars and Contact Persons*” via Client Connect to clearing houses¹
- Examples include changes in:
 - i. Designated officer and / or alternate designated officer (applicable to CCASS Participants)
 - ii. Key contact persons for daily operations (applicable to HKCC / SEOCH Participants)
 - iii. Risk and controls documents when engaging in new business activities (applicable to all Participants)

✓ Reminder

- Participants should put in place appropriate controls (including adequate policies and procedures and workflow) to ensure that notification of any change of their details (including updated risk and control documents when engaging in new business activities) is given to the clearing houses on a timely basis or within the specified timeframe in the event that such change involves details of their Designated Officer and/or Alternate Designated Officer.



¹ See form and submission details in [https://www.hkex.com.hk/Services/Rules-and-Forms-and-Fees/Forms/Securities-\(Hong-Kong\)/Clearing/Participation-Membership?sc_lang=en](https://www.hkex.com.hk/Services/Rules-and-Forms-and-Fees/Forms/Securities-(Hong-Kong)/Clearing/Participation-Membership?sc_lang=en)

Clearing Rules Obligations

2. Access to CCASS / Installation outside office premises or in foreign jurisdiction (applicable to HKSCC)

Key Information

- Unless the prior written approval of HKSCC is obtained, CCASS Terminals and Participant Gateways can only be installed at the office premises of a Participant or its Settlement Agent.
- Where a CCASS Terminal is approved to be installed in a foreign jurisdiction or where CCASS is approved to be accessed and operated from a foreign jurisdiction pursuant to Rule 3901, such installation shall be subject to the conditions as stipulated in Rules 3902 to 3904

(CCASS Rules 704 and 3901 to 3904)

Key Highlights and Examples of Good Practice

- To apply for access to CCASS from a foreign jurisdiction, the application form¹ should be submitted to HKSCC.
- ✓ **Reminder**
- CCASS Participants should confirm prior written approval from HKSCC is obtained before arranging for access to or conducting activities in CCASS from a foreign jurisdiction

¹ See application form details in https://www.hkex.com.hk/-/media/HKEX-Market/Services/Clearing/Securities/Getting-Started/Settlement-Agent-and-Access-to-CCASS-from-a-Foreign-Jurisdiction/app_form.pdf





For further information, please visit hkexgroup.com | hkex.com.hk

