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## 通告 CIRCULAR

**Subject: Compliance Bulletin (Issue No. 8) – (1) Restricting Mainland Investors from Northbound Trading under Stock Connect, (2) Hong Kong Investor Identification Regime (“HKIDR”), (3) Stock Connect Northbound BCAN (“NB BCAN”) requirements, and (4) 2023 Self-attestation of Compliance Questionnaire**

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As part of our continuous efforts to promote transparency and a compliance culture in our marketplace, the Exchange has prepared this Compliance Bulletin to offer the industry a better understanding of our enforcement work and regulatory expectations. It serves as a reminder on some salient points in relation to (1) Restricting Mainland Investors from Northbound Trading under Stock Connect; (2) HKIDR; (3) NB BCAN requirements; and (4) the 2023 Self-attestation of Compliance Questionnaire.

### (1) Restricting Mainland Investors from Northbound Trading under Stock Connect

Reference is made to the circulars issued by the Exchange dated 24 June 2022 (Ref. No.: [CT/088/22](#)), 29 September 2022 (Ref. No.: [MSM/010/2022](#)) and 2 June 2023 (Ref. No.: [CT/069/23](#)) on matters in relation to restricting Mainland investors from Northbound trading under Stock Connect. China Connect Exchange Participants and Trade-through Exchange Participants (collectively, “CCEPs”) are requested to note that the 1-year transitional period will end soon. Specific operational arrangements after the transitional period, i.e. with effect from 24 July 2023, are summarized in the attachment for CCEPs’ reference.

### (2) HKIDR

HKIDR has been launched since 20 March 2023. The Exchange would like to remind Exchange Participants (“EPs”) and other Relevant Regulated Intermediaries<sup>1</sup> (“RRIs”) of their obligations to comply with all applicable requirements under the relevant rules and regulations, including the Rules of the Exchange (“SEHK Rules”), the [Frequently Asked Questions on Broker-to-Client Assigned Number \(BCAN\) Submission and Order Tagging Related Topics \(“FAQ”\)](#) and the Code of Conduct

<sup>1</sup> Relevant Regulated Intermediary means a relevant licensed or registered person as defined in paragraph 5.6(b)(xiv) of the SFC Code of Conduct.

for Persons Licensed by or Registered with the Securities and Futures Commission (“SFC”). In addition, EPs and RRIIs are strongly advised to refer to Question G-1 of the FAQ and the summary table attached to this circular for a better understanding of the key differences between HKIDR and the Northbound Stock Connect Investor ID Regime.

### **(3) Stock Connect NB BCAN requirements**

During our recent inspection under the 2023 Annual Attestation and Inspection Programme, it was observed that CCEPs may have misunderstanding and/or deficiencies in relation to the handling of the below NB BCAN requirements:

#### **(i) Lack of adequate control over data accuracy regarding NB BCAN assigned to clients of a CCEP’s affiliates**

Reference is made to the [Compliance Reminder on China Connect Rules](#) published on 28 February 2023. Some CCEPs on-boarded their non-EP affiliates as their clients where BCANs were assigned to the affiliates’ underlying clients as required under Rule 1425A(1)(d) of the SEHK Rules. However, they did not put in place adequate control to ensure data accuracy on those BCANs concerned, leaving the data inaccuracy issue at the affiliates level undetected.

#### **(ii) Incorrect use of BCAN Error Report**

To comply with the requirements under Rule 1425A(7) of the SEHK Rules, CCEPs should complete the BCAN Error Report for Shanghai/Shenzhen Connect when the executed trades were found to have been tagged with wrong BCANs, and that errors of other kinds for Shanghai/Shenzhen Connect should be filed separately. However, it was noted that some CCEPs have mistaken that BCAN Error Report was used for reporting their error trades (e.g. wrong input of order quantity / price) instead of reporting correction of BCAN to the Exchange.

The Exchange would like to remind CCEPs of their obligations to comply with all applicable NB BCAN requirements under the SEHK Rules, including but not limited to Rule 1425A. In particular, CCEPs should have proper control in place to ensure the data included in their BCAN-CID Mapping Files, including the BCANs assigned to their own clients as well as their affiliates clients, submitted to the Exchange are accurate and fully comply with all other relevant requirements.

CCEPs are strongly encouraged to make reference to the publications on the [HKEX Rule Enforcement webpage](#) and provide regular training to their staff members and where necessary, the responsible staff of their affiliates involved in tasks pertaining to China Connect Rules to ensure they fully understand the applicable NB BCAN requirements. CCEPs are also expected to put in place appropriate workflow or arrangement with their affiliates to ensure that any data and information submitted by them for the compilation of the BCAN-CID Mapping Files subsequently submitted to the Exchange are accurate. Failing to do so may render the CCEPs liable for consequences arising from any BCAN inaccuracies.

#### **(4) 2023 Self-attestation of Compliance Questionnaire (“Questionnaire”)**

##### **(i) Questionnaire Submission**

Reference is made to the circular dated 9 June 2023 (Ref. No.: [MSM/006/2023](#)) of the captioned subject. Under the Annual Attestation and Inspection Programme 2023, all Participants<sup>2</sup> are required to submit a duly completed Questionnaire via the Electronic Communication Platform (“ECP”)<sup>3</sup> at <https://ecp2.hkex.com.hk/> by **21 July 2023**.

The Questionnaire and the ECP User Guide are available on the [HKEX Rule Enforcement webpage](#).

##### **(ii) Update of shareholding information**

According to the responsibilities set out under CCASS Rule 1703(viii), HKCC Rule 214A and/or SEOCH Rule 403F, Clearing Participants (“CPs”) are required to submit to HKSCC, HKCC and/or SEOCH an updated shareholding information under the following scenarios:

- (a) On an annual basis.
- (b) Subsequent to any reorganization of the CP’s corporate group.
- (c) Following a change of 10% or more in the share capital or voting rights of the CP (including any change in the interest of an existing shareholder who holds an interest (direct or indirect) of 10% or more in the share capital or voting rights of the CP and any new shareholder acquiring an interest (direct or indirect) of 10% or more in the share capital or voting rights of the CP).

For scenario (a) above, the submission should be made by the CP through completing the relevant section of the Questionnaire.

For scenarios (b) and (c) above, the submission should be made through [ClearingCreditRisk@hkex.com.hk](mailto:ClearingCreditRisk@hkex.com.hk) as soon as practicable using the template provided in the latest attestation submission pack. In particular, for a shareholding information update that includes change of a CP’s name, we expect the submission of the shareholding information update to reach us by no later than one day before the date of the CP name change.

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<sup>2</sup> Including, (i) Exchange Participants of The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited; (ii)(a) Clearing Participants and General Clearing Participants of HKFE Clearing Corporation Limited; (ii)(b) Direct Clearing Participants, General Clearing Participants and Custodian Participants of Hong Kong Securities Clearing Company Limited; and (ii)(c) Direct Clearing Participants and General Clearing Participants of The SEHK Options Clearing House.

<sup>3</sup> The ECP has been migrated to an enhanced version since April 2022. For Participant applying for the first time to be an ECP user, please contact us at [ecpadmin@hkex.com.hk](mailto:ecpadmin@hkex.com.hk) or 2840 3933 for setup arrangements. For Participant who already has an ECP account, the account creation for its individual business users shall be handled by the Participant’s designated Delegated Administrator.

The Exchange would like to point out that the requirements and examples set out in this compliance bulletin are by no means exhaustive and Participants should always take into consideration their own circumstances and adopt appropriate internal controls and measures to ensure 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](mailto: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. 8

**HKEX**  
Market Surveillance and Monitoring

June 2023

**HKEX**  
香港交易所

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# Restriction on Mainland investors from Northbound Trading under Stock Connect





# China Connect Northbound Trading

## Restriction on Mainland investors from Northbound Trading under Stock Connect

### Key Summary

- CSRC<sup>1</sup>, SSE<sup>2</sup> and SSE<sup>3</sup> have announced their rule amendments in relation to restricting Mainland investors from Northbound Trading under Stock Connect with effect from 25 July 2022.
- Mainland investors **include** :
  - (A) Individuals that possess Mainland ID documents;
  - (B) Holders of a joint account if one of the holders is considered as Mainland investor under (a); and
  - (C) Corporate or unincorporated entities which are registered in the Mainland.
- The following investors will **not be considered** as “Mainland investors” and may continue to buy and sell China Connect Securities through Northbound Trading under Stock Connect:
  - (A) Any individual who holds a Permit for Proceeding to Hong Kong and Macao, i.e. One-way (前往港澳通行證, i.e. 單程證) or who has obtained an identity document as proof of permanent residence in a country or region outside Mainland China;
  - (B) Any branch or subsidiary of a corporate or unincorporated entity registered in Mainland China which branch or subsidiary is lawfully registered in Hong Kong or overseas

### Compliance Reminder

- The 1-year transitional period (25 July 2022 to 23 July 2023) will end soon
- After the transitional period, i.e. **with effect from 24 July 2023**:
  - ✗ Neither CCEPs nor TTEPs shall register new BCAN for clients who are mainland investors. i.e. registration of new BCANs with ‘CHN’ as the country/ region of issuance (CHN BCANs) will be rejected
  - ✗ Mainland investor shall not proactively buy any China Connect Securities through Northbound Trading under Stock Connect (including subscription for right issue (配股)).
  - ✓ CCEPs and TTEPs shall delete all CHN BCAN for their clients who are Mainland investors.  
*Remarks: Given 22 and 23 July 2023 are weekends, CHN BCANs should be removed from the submission of BCAN-CID Mapping File by CCEPs and TTEPs **on or before 21 July 2023**.*
  - ✓ China Connect Securities held by Mainland investors could be sold through Northbound Trading under Stock Connect by tagging the reserved values:
    - “3” — Individual Mainland investors
    - “4” — Institutional Mainland investors

Reference to Exchange Circular: [CT/088/22](#) & [CT/069/23](#)

<sup>1</sup> [中国证监会关于修改《内地与香港股票市场交易互联互通机制若干规定》的决定](#) (In Chinese only)

<sup>2</sup> [上海证券交易所关于发布《上海证券交易所沪港通业务实施办法（2022年修订）》及有关事项的通知](#) (In Chinese only. Please note that SSE has announced further rule amendments in 2023, while the restriction on Mainland investors from Northbound Trading remains effective)

<sup>3</sup> [深圳证券交易所关于发布《深圳证券交易所深港通业务实施办法（2022年修订）》及有关事项的通知](#) (In Chinese only)



# Key Areas of Difference between HKIDR and Northbound Investor ID Regime



## Key Areas of Difference between HKIDR and Northbound Investor ID Regime

Key Areas	NB Investor ID	HKIDR
Key sources of rules and regulations	Rules of the Exchange	Rules of the Exchange and SFC's Code of Conduct
BCAN format and party assigning the BCAN	Maximum of 10 digits assigned by China Connect Exchange Participant (CCEP) or Trade-through Exchange Participant (TTEP)	Maximum of 10 digits assigned by Relevant Regulated Intermediaries (RRI)*
Client level to be assignees	Level down to until the client is not an affiliate**	Level down to until the account owner is not a RRI (no matter the client is an affiliate or not)
BCAN tagging format	BCAN Only	The CE number of the RRI who assigns the BCAN + BCAN

\* For those EPs who are registered as CCEP or TTEP, they may assign the same (i.e. randomly assigned number not exceeding 10 digits) or different BCANs to a client under both regimes.

\*\* (A) if a CCEP's/TTEP's direct client which is an affiliate will buy or sell China Connect Securities as principal or on a proprietary basis, the CCEP/TTEP can assign a BCAN to the affiliate; and

(B) if a CCEP's/ TTEP's direct client is a fund manager and/or a fund, the relevant requirements for fund / fund manager shall apply.



## Key Areas of Difference between HKIDR and Northbound Investor ID Regime

Key Areas	NB Investor ID	HKIDR
Same client to have multiple BCANs	Not allowed (except for certain situations e.g. joint account, different accounts in affiliates and CCEPs/TTEPs (but not different trading desks within the same legal entity) and a TTEP trade through multiple CCEPs)	Allowed RRI can assign single or multiple BCANs to a client if the client holds multiple accounts (i.e. different BCAN can be assigned to different account)
ID Documents	No specified order of priority for ID documents.  For corporate entities, Business Registration Certificate is NOT acceptable as ID document. Only Certificate of Incorporation / other official incorporation documents and Legal Entities Identifier are accepted.	Specified order of priority for ID documents per waterfall.***  Business Registration Certificate is acceptable as ID document per the requirements set out in the SFC's Code of Conduct
BCAN registration cutoff time	By 3:00pm on T-1 day for all clients	By 4:30pm on T-1 day (By 4:30pm on T-day for new accounts & re-activation of dormant accounts)

\*\*\* The waterfall requirements on the collection of CID are set out in paragraph 5.6(o) of the SFC's Code of Conduct



## Key Areas of Difference between HKIDR and Northbound Investor ID Regime

Key Areas	NB Investor ID	HKIDR
BCAN change for same client	Prior approval from HKEX is required	Prior approval from HKEX is <u>NOT required</u> but need to file the BCAN change report subsequently
Pass on BCAN	Not applicable as BCANs are assigned by CCEP/TTEP and the relevant CCEP will input the orders to HKEX's trading system directly	If an order is routed through a chain of RRIs, each RRI along the chain needs to pass on the BCAN assigned by the first RRI
Transactions covered	On-exchange orders only	On-exchange orders and Off-exchange transactions (i.e. manual trades) (optional for odd lots)



## Key Areas of Difference between HKIDR and Northbound Investor ID Regime

Key Areas	NB Investor ID	HKIDR
BCAN checking and order rejection on the trade date (T day)	<p>Real time format checking and validation (against BCAN database) in place</p> <p>If an invalid or non-registered BCAN is tagged, the order may be rejected by the relevant Mainland stock exchange</p>	<p>Only real time format checking in place</p> <p>No order rejection if an invalid or non-registered BCAN is tagged, but RRIs may be subject to follow-up enquiries by the SFC and/or SEHK for potential non-compliance issue</p>
Aggregated Orders	Not applicable	<p>Applicable to on-exchange and off-exchange orders or trades which comprise two or more orders for the same listed security placed by different clients of an RRI;</p> <p>Required subsequent reporting of BCAN of the underlying orders of an executed aggregated order (regardless of board lot or odd lot) within three days from the trade date (T+3)</p>
Reserved BCAN values	<p>For “sell-only” orders****:</p> <p>“1” – for individual clients</p> <p>“2” – for institutional clients</p>	<p>Applicable to both individual and institutional clients:</p> <p>“1” – for “sell-only” orders****</p> <p>“2” – for aggregated order</p>

\*\*\*\* If the necessary consent cannot be obtained from an individual (i.e. natural person) Relevant Client by an RRI, the RRI shall only input sell orders for the client in respect of the client’s existing holdings.

