

## CHAPTER 13

### STAMP DUTY COLLECTION

1301. A Participant shall pay to the Exchange in the manner and in accordance with the Operation Procedures for Stamp Duty Collection (“Operation Procedures”) as prescribed by the Exchange from time to time the stamp duty chargeable under the Stamp Duty Ordinance on each and every contract note issued in respect of all transactions recognized by the Exchange under Rule 544, save and except:
- (a) Market Maker jobbing transactions for which any applicable stamp duty shall be paid directly to the Collector of Stamp Revenue or in such other way as prescribed in the Stamp Duty Ordinance from time to time;
  - (b) Exchange Traded Fund underlying stock transactions; and
  - (c) Sale or purchase transactions of a Dual Counter Security in connection with market making or liquidity providing activities performed by an Exchange Participant in its capacity as a Dual Counter Market Maker, which satisfy such conditions and requirements as prescribed by the Exchange from time to time to qualify for exemption from stamp duty.
1302. All Exchange Participants which carry on the business of dealing in securities on the Exchange and all Special Participants shall at all times maintain a deposit in the amount as specified by the Exchange and notified to the Participants from time to time as security for their liabilities for the chargeable recognized transactions. Should the deposit at any time fall below the amount specified by the Exchange because of deduction under Rule 1303 or for any other reason, the Participant shall forthwith deposit sum or sums to make up the shortfall.
1303. Each and every Participant unconditionally and irrevocably authorizes the Exchange to deduct from the deposit referred to in Rule 1302 such sum or sums to satisfy its outstanding liabilities for stamp duty in the event it fails to pay to the Exchange the stamp duty in accordance with the Operation Procedures. All sums deducted shall, in the absence of manifest error, be final and binding.
1304. In addition to any penalty imposed under the Stamp Duty Ordinance, the Exchange shall have the right to charge a Participant surcharge and penalty at such rate as may from time to time be determined by the Exchange for any late payment of stamp duty to the Exchange, such payment to be made to the Exchange within 7 trading days from the date of demand from the Exchange. All amounts computed by the Exchange, shall in the absence of manifest error, be final and binding.
1305. (a) Without prejudice to the Operation Procedures, the Exchange may demand from an Exchange Participant immediate payment of any stamp duty due from it or its clients relating to any transaction concluded by the Exchange Participant, whether such stamp duty has been collected by the Exchange Participant or not.

- (b) Without prejudice to the Operation Procedures, the Exchange may demand from a Special Participant immediate payment of any stamp duty due from it relating to any transaction concluded by the Special Participant, whether such stamp duty has been collected by the Special Participant from the relevant China Connect Market Participants or not.
1306. All Participants remain liable to the Collector of Stamp Revenue for the chargeable stamp duty on contract notes issued in respect of transactions not recognized by the Exchange (if any).
1307. Without prejudice to any other rights the Exchange may have in recovering monies due to it from the Participants, all monies owing to the Exchange by them under these Rules shall be recoverable by the Exchange as a civil debt.
1308. (a) Where an Exchange Participant suspends or ceases its business of dealing in securities, it shall immediately notify the Exchange in writing, and such Exchange Participant shall remain liable to the Exchange for the stamp duty chargeable on contract notes issued prior to the suspension or cessation on transactions recognized by the Exchange.
- (b) When a Special Participant suspends or ceases its order-routing business, it shall immediately notify the Exchange in writing, and such Special Participant shall remain liable to the Exchange for the stamp duty chargeable on contract notes issued prior to the suspension or cessation on transactions recognized by the Exchange.
1309. (a) An Exchange Participant shall keep complete and true records of and maintain separate accounts for the chargeable stamp duty due and collected from clients and paid to the Exchange. An Exchange Participant shall whenever called upon by the Board so to do produce its books and records for inspection by any person authorized by the Board.
- (b) A Special Participant shall keep complete and true records of the chargeable stamp duty paid by it to the Exchange. A Special Participant shall whenever called upon by the Board so to do produce its books and records for inspection by any person authorized by the Board.
1310. A Participant shall at the same time as it submits a return to the Collector of Stamp Revenue submit a copy of such return to the Exchange, certified by the Participant that the copy submitted to the Exchange is a copy of the return submitted to the Collector of Stamp Revenue.
1311. The Chief Executive or his delegates shall have power to enforce the Operation Procedures.