

## CHAPTER 5

### TRADING

#### Operational Trading Rules

##### Trading Hours

501. (1) Trading on the Exchange is conducted on every weekday, unless otherwise determined by the Board (excluding Saturdays and public holidays) at the times specified below or at such other times as may be determined by the Chief Executive in consultation with the Chairman and the Commission:-

(a) The Morning Session shall commence at 9:30 a.m. and end at 12:00 noon; and

(b) The Afternoon Session shall commence at 1:00 p.m. and end at 4:00 p.m..

There is no Afternoon Session on the eves of Christmas, New Year and Lunar New Year.

(2) In addition to the trading hours specified in Rule 501(1), trading on the Exchange is also conducted during the Pre-opening Session and the Closing Auction Session unless otherwise determined by the Board from time to time.

501A. In addition to the trading hours specified in Rule 501, trading of the Extended Trading Securities on a trading day is also conducted during the Extended Morning Session unless otherwise determined by the Board from time to time.

There is no Extended Morning Session on the eves of Christmas, New Year and Lunar New Year.

501B. Unless otherwise determined by the Board, there shall be no Extended Morning Session on a trading day if there is no morning session on that day for whatever reason.

##### Extended Trading Securities

501C. (1) The following Rules shall not apply to the trading of the Extended Trading Securities on the Exchange:-

Rule 502

Rule 502A

Rule 520

Rule 523

Rule 526

(2) Unless otherwise determined by the Board, Rules 501D to 501F shall only apply to the Extended Trading Securities.

501D. For the avoidance of doubt, the trading hours for the Extended Trading Securities shall comprise the Pre-opening Session, the Continuous Trading Session and the Closing Auction Session.

- 501E. (1) All terminal activities (except enquiries) in relation to the Extended Trading Securities are, unless otherwise determined by the Board, to be terminated at the close of trading for the Extended Trading Securities on a trading day or at such times as may be determined by the Chief Executive in consultation with the Chairman and the Commission.
- (2) Each selling Exchange Participant shall input into the System details of a sale transaction in respect of the Extended Trading Securities within 15 minutes after the conclusion of the transaction, but before the close of trading for the Extended Trading Securities on a trading day for transactions concluded on that trading day. Any transactions in respect of the Extended Trading Securities not recorded in the System before the close of trading for the Extended Trading Securities as aforesaid shall be reported to the Exchange within the order input period, the no-cancellation period and the random matching period of the Pre-opening Session or the first 15 minutes of the commencement of the Continuous Trading Session on the next trading day as transactions concluded on that trading day on which the reporting has been made provided that if there is no Continuous Trading Session on the next trading day for whatever reason, any such transactions not reported to the Exchange as aforesaid shall be reported to the Exchange not later than the first 15 minutes of the commencement of the first trading session of the next Continuous Trading Session as transactions concluded during the trading session on which the reporting has been made. This Rule shall apply to all transactions in respect of the Extended Trading Securities other than direct business transactions and transactions concluded by automatic order matching. A selling Exchange Participant which fails to comply with this Rule shall be liable to disciplinary action by the Board.
- (3) Each buying Exchange Participant of the Extended Trading Securities shall review details of the transactions in respect of the Extended Trading Securities as recorded in its favour in the System and reject any erroneous input as soon as it discovers an error but before the close of trading for the Extended Trading Securities on a trading day for transactions input during that trading day.
- 501F. (1) It is the duty of every Exchange Participant conducting direct business transactions in respect of the Extended Trading Securities within the Pre-opening Session, the trading hours stipulated in Rule 501(1), the Extended Morning Session and the Closing Auction Session to input details of such transactions into the System within the following time limits (or other time limits as the Exchange may from time to time determine):
- (i) in respect of direct business transactions which are ATS transactions, on a trade-by-trade basis immediately and in any case, within 1 minute after the conclusion of the transactions; and
  - (ii) in respect of all other direct business transactions, within 15 minutes after the conclusion of the transactions,
- and in any event before the close of trading for the Extended Trading Securities on a trading day for transactions concluded on that trading day provided that no such duty exists for transactions concluded by automatic order matching. Any transactions in respect of the Extended Trading Securities not recorded in the System before the close of trading for the Extended Trading Securities as aforesaid shall be reported to the Exchange within the order input period, the no-cancellation period and the random

matching period of the Pre-opening Session or the first 15 minutes of the commencement of the Continuous Trading Session on the next trading day as transactions concluded on that trading day on which the reporting has been made provided that if there is no Continuous Trading Session on the next trading day for whatever reason, any such transactions not reported to the Exchange as aforesaid shall be reported to the Exchange not later than the first 15 minutes of the commencement of the first trading session of the next Continuous Trading Session as transactions concluded during the trading session on which the reporting has been made.

- (2) Direct business transactions in respect of the Extended Trading Securities conducted outside the trading hours for the Extended Trading Securities shall be reported within the first 15 minutes of the commencement of trading on the next trading session as transactions concluded during that trading session on which the reporting has been made provided that if the next trading session is a Pre-opening Session, such direct business transactions shall be reported within the order input period, the no-cancellation period and the random matching period of that Pre-opening Session or the first 15 minutes of the commencement of trading on the first trading session of the next Continuous Trading Session as transactions concluded during the trading session on which the reporting has been made.
- (3) The price of every direct business transaction in respect of the Extended Trading Securities concluded during the Continuous Trading Session must be within the range of the lowest of twenty-four spreads below the previous closing price, the lowest bid and the lowest ask price up to the time of the transaction on the day and the highest of twenty-four spreads above the previous closing price, the highest bid and the highest ask price up to the time of the transaction on the day. This Rule 501F(3) shall not apply to direct business transactions concluded during the Pre-opening Session or the Closing Auction Session.

### **Pre-opening Session**

- 501G. (1) Unless otherwise determined by the Exchange, the Pre-opening Session shall comprise four periods in the following sequence:
- (i) the order input period which shall commence at 9:00 a.m. and end at 9:15 a.m.;
  - (ii) the no-cancellation period which shall commence at 9:15 a.m. and end at 9:20 a.m.;
  - (iii) the random matching period which shall commence at 9:20 a.m. and end at any time no later than 9:22 a.m.; and
  - (iv) the blocking period which shall commence at the end of the random matching period and end at 9:30 a.m..
- (1A) The Exchange may prescribe from time to time in its absolute discretion a list of POS securities as eligible for trading in the Pre-opening Session. For the avoidance of doubt, the Exchange may from time to time include any securities in or exclude any securities from the list of POS securities.

- (1B) For the purpose of Rule 501(G)(3), unless otherwise determined by the Exchange,
- (a) the upper price limit means a price which is 15% (or such other percentage as the Exchange may from time to time determine) higher than the POS reference price, rounded down to the nearest spread; and
  - (b) the lower price limit means a price which is 15% (or such other percentage as the Exchange may from time to time determine) lower than the POS reference price, rounded up to the nearest spread.
- (2) During the order input period, at-auction orders and at-auction limit orders each with a specified price that does not deviate more than 15% from the POS reference price may be input into the System provided that each short selling order input into the System during the Pre-opening Session shall be an at-auction limit order and in accordance with Rule 563D(1), 563D(5), 563D(6) or 563D(8). All orders input into the System during the order input period may be amended or cancelled. An auction order that is amended in connection with a reduction in size shall not affect the time priority of the original auction order. An auction order that is amended in connection with specified price or an increase in size will result in the loss of time priority of the original auction order.
- (3) During the no-cancellation period and the random matching period, only at-auction orders and at-auction limit orders each with a specified price:-
- (a) that does not deviate more than 15% from the POS reference price;
  - (b) (in respect of buy orders) within the range of the lower price limit and the higher of the highest bid price and the lowest ask price of the orders recorded in the System at the end of the order input period (if available);
  - (c) (in respect of sell orders) within the range of the upper price limit and the lower of the lowest ask price and the highest bid price of the orders recorded in the System at the end of the order input period (if available); and
  - (d) (in respect of short selling orders to be input into the System during the Pre-opening Session in accordance with Rule 563D(1) only) that is at or above the POS reference price (except where the Designated Security is a Market Making Security approved by the Commission to be excluded from the application of Regulation (15) in the Eleventh Schedule to these Rules),

may be input into the System but no order shall be amended or cancelled.

- (3A) The Exchange has the right to waive the application of Rule 501G(3), including but not limited to on the first day of trading of an issue of securities and upon the resumption of trading of an issue of securities from trading suspension.

- (3B) The random matching period may end at any time, as determined automatically and randomly by the System, no later than 9:22 a.m.. For the avoidance of doubt, the random matching period in relation to all POS securities will end at the same time.
  - (4) Commencing at the end of the random matching period, automatic order matching of the auction orders shall be conducted in accordance with Rule 517(1)(a) and no order shall be input into the System, amended or cancelled. All transactions so concluded based on the methodology specified in Rule 517(1)(a) shall be deemed to have been concluded at the end of the random matching period.
  - (5) During the blocking period, the System shall be static for transition from the Pre-opening Session to the Continuous Trading Session and no order shall be input into the System, amended or cancelled.
  - (6) For the avoidance of doubt, if no POS reference price in respect of a POS security is available, the price limits or restrictions which are made with reference to POS reference price, as referred to in Rules 501G(2) and 501G(3), shall not apply to the orders for the POS securities, unless the Exchange otherwise determines.
- 501H. (1) An IEP will be calculated according to the following rules only if the highest bid price of the buy at-auction limit orders is equal to or higher than the lowest ask price of the sell at-auction limit orders:
- (a) the IEP shall be one of the bid prices or ask prices which falls within the range of the highest bid price of the buy at-auction limit orders and the lowest ask price of the sell at-auction limit orders (inclusive of both prices) at which the aggregate size of the trades to be concluded based on the methodology specified in Rule 517(1)(a) is maximised;
  - (b) if more than one price satisfies Rule 501H(1)(a), the IEP shall be the price at which the normal order imbalance is the lowest. For the purposes hereof, normal order imbalance, in relation to a price, means the difference between the aggregate size of the buy at-auction orders and the buy at-auction limit orders with bid prices at or better than that price and the aggregate size of the sell at-auction orders and the sell at-auction limit orders with ask prices at or better than that price;
  - (c) if more than one price satisfies Rule 501H(1)(b), the IEP shall be-
    - (i) the highest of such prices if in relation to each and every of such prices, the aggregate size of the buy at-auction orders and the buy at-auction limit orders with bid prices at or better than that price is greater than the aggregate size of the sell at-auction orders and the sell at-auction limit orders with ask prices at or better than that price; or
    - (ii) the lowest of such prices if in relation to each and every of such prices, the aggregate size of the buy at-auction orders and the

buy at-auction limit orders with bid prices at or better than that price is smaller than the aggregate size of the sell at-auction orders and the sell at-auction limit orders with ask prices at or better than that price;

- (d) if more than one price satisfies Rule 501H(1)(b) and 501H(1)(c) does not apply, the IEP shall be the price which is the closest to the previous closing price. If two prices are of equidistant from the previous closing price, the IEP shall be the higher of the two prices. However, if the previous closing price is not available, the IEP shall be the highest of such prices.
  - (2) If an IEP is calculated in accordance with Rule 501H(1) at the end of the random matching period of the Pre-opening Session, at-auction orders and at-auction limit orders with specified prices at or better than such IEP shall be matched by automatic order matching at such IEP commencing from the end of the random matching period of the Pre-opening Session based on the methodology specified in Rule 517(1)(a).
  - (3) If no IEP is calculated at the end of the random matching period of the Pre-opening Session in accordance with Rule 501H(1), there will be no automatic order matching commencing from the end of the random matching period of the Pre-opening Session and the auction orders (if any) shall be dealt with in accordance with Rule 501I as with auction orders which remain wholly or partly unmatched at the end of the random matching period of the Pre-opening Session.
- 501I. At the end of the random matching period of the Pre-opening Session when automatic order matching is completed, all auction orders which remain wholly or partly unmatched shall be cancelled and deleted from the System automatically except for those at-auction limit orders the specified price of each of which does not deviate 9 times or more from the nominal price at that time. Such at-auction limit orders shall be converted to limit orders at the input specified price and carried forward to the Continuous Trading Session of the same trading day for automatic order matching. The order entry time of such converted limit orders shall be the time the at-auction limit orders were originally entered into the System. If there is no Continuous Trading Session on that trading day for whatever reason, such at-auction limit orders shall be cancelled and deleted from the System at the end of that trading day.

501J. [Repealed]

501K. [Repealed]

#### **Closing Auction Session**

- 501L. (1) The Exchange may prescribe from time to time in its absolute discretion a list of CAS securities as eligible for trading in the Closing Auction Session. For the avoidance of doubt, the Exchange may from time to time include any securities in or exclude any securities from the list of CAS securities.
- (2) The Closing Auction Session shall comprise four periods in the following sequence: (i) the reference price fixing period; (ii) the order input period; (iii)

the no-cancellation period and (iv) the random closing period. The duration of each of the four periods may be prescribed by the Exchange from time to time.

- (3)
  - (a) During the reference price fixing period, the CAS reference price of the CAS securities on that trading day will be calculated and no order shall be input into the System, amended or cancelled.
  - (b) For the purpose of Rule 501L(4), unless otherwise determined by the Exchange,
    - (i) the upper price limit means a price which is 5% (or such other percentage as the Exchange may from time to time determine) higher than the CAS reference price, rounded down to the nearest spread; and
    - (ii) the lower price limit means a price which is 5% (or such other percentage as the Exchange may from time to time determine) lower than the CAS reference price, rounded up to the nearest spread.
- (4) All outstanding buy limit orders for a CAS security each with a specified price of not higher than the upper price limit and all outstanding sell limit orders for a CAS security each with a specified price of not lower than the lower price limit which remain wholly or partly unmatched at the close of the Continuous Trading Session immediately preceding the Closing Auction Session shall be treated as at-auction limit orders at the input specified price and carried forward to the Closing Auction Session of the same trading day for automatic order matching. The order entry time of such converted at-auction limit orders shall be the time the limit orders were originally entered into the System. All other outstanding buy limit orders and sell limit orders for a CAS security which remain wholly or partly unmatched at the close of the Continuous Trading Session shall be cancelled and deleted from the System automatically.
- (5)
  - (a) During the order input period, at-auction orders and at-auction limit orders each with a specified price that does not deviate more than 5% from the CAS reference price may be input into the System provided that each short selling order input into the System during the Closing Auction Session shall be an at-auction limit order and in accordance with Rule 563D(1), 563D(5), 563D(6) or 563D(8). Except as provided in paragraph (b) below, all orders may be amended or cancelled provided that any outstanding short selling order carried forward to the Closing Auction Session that is amended in connection with the specified price shall only be made in compliance with Rule 563D(1), 563D(5), 563D(6) or 563D(8). An auction order that is amended in connection with a reduction in size shall not affect the time priority of the original auction order. An auction order that is amended in connection with the specified price or an increase in size will result in the loss of time priority of the original auction order.
  - (b) An outstanding Securities Market Maker Short Selling order carried forward to the Closing Auction Session pursuant to Rule 501L(4) may be amended in connection with a reduction in size or cancelled. For the

avoidance of doubt, such order shall not be amended in connection with the specified price or an increase in size during the order input period.

- (6) During the no-cancellation period and the random closing period up to the close of the Closing Auction Session, at-auction orders and at-auction limit orders each with a specified price (a) that does not deviate more than 5% from the CAS reference price; (b) (if available) within the range of the lowest ask price and the highest bid price of the orders recorded in the System at the end of the order input period; and (c) (in respect of short selling orders to be input into the System during the Closing Auction Session in accordance with Rule 563D(1) only) that is at or above the CAS reference price (except where the Designated Security is a Market Making Security approved by the Commission to be excluded from the application of Regulation (15) in the Eleventh Schedule to these Rules) may be input into the System but no order shall be amended or cancelled.
  - (7) The random closing period may end at any time, as determined automatically and randomly by the System, no later than 4:10 p.m. or 12:10 p.m., as the case may be. For the avoidance of doubt, the random closing period in relation to all CAS securities will end at the same time and the Closing Auction Session will close at the end of the random closing period.
  - (8) Commencing at the end of the random closing period, automatic order matching of the auction orders shall be conducted in accordance with Rule 517(1)(a) and no order shall be input into the System, amended or cancelled. All transactions so concluded based on the methodology specified in Rule 517(1)(a) shall be deemed to have been concluded at the end of the random closing period.
  - (9) For the avoidance of doubt, if no CAS reference price in respect of an issue of CAS securities is available, the price limits or restrictions which are made with reference to CAS reference price, as referred to in Rules 501L(4), 501L(5) and 501L(6), shall not apply to the orders for the CAS securities, unless the Exchange otherwise determines.
- 501M. (1) An IEP will be calculated according to the following rules only if the highest bid price of the buy at-auction limit orders is equal to or higher than the lowest ask price of the sell at-auction limit orders:
- (a) the IEP shall be one of the bid prices or ask prices which falls within the range of the highest bid price of the buy at-auction limit orders and the lowest ask price of the sell at-auction limit orders (inclusive of both prices) at which the aggregate size of the trades to be concluded based on the methodology specified in Rule 517(1)(a) is maximised;
  - (b) if more than one price satisfies Rule 501M(1)(a), the IEP shall be the price at which the normal order imbalance is the lowest. For the purposes hereof, normal order imbalance, in relation to a price, means the difference between the aggregate size of the buy at-auction orders and the buy at-auction limit orders with bid prices at or better than that price and the aggregate size of the sell at-auction orders and the sell at-auction limit orders with ask prices at or better than that price;



- (c) if more than one price satisfies Rule 501M(1)(b), the IEP shall be-
    - (i) the highest of such prices if in relation to each and every of such prices, the aggregate size of the buy at-auction orders and the buy at-auction limit orders with bid prices at or better than that price is greater than the aggregate size of the sell at-auction orders and the sell at-auction limit orders with ask prices at or better than that price; or
    - (ii) the lowest of such prices if in relation to each and every of such prices, the aggregate size of the buy at-auction orders and the buy at-auction limit orders with bid prices at or better than that price is smaller than the aggregate size of the sell at-auction orders and the sell at-auction limit orders with ask prices at or better than that price;
  - (d) if more than one price satisfies Rule 501M(1)(b) and 501M(1)(c) does not apply, the IEP shall be the price which is the closest to the CAS reference price. If two prices are of equidistant from the CAS reference price, the IEP shall be the higher of the two prices. However, if the CAS reference price is not available, the IEP shall be the highest of such prices.
- (2) If an IEP is calculated in accordance with Rule 501M(1) at the end of the random closing period of the Closing Auction Session, at-auction orders and at-auction limit orders with specified prices at or better than such IEP shall be matched by automatic order matching at such IEP commencing from the end of the random closing period of the Closing Auction Session based on the methodology specified in Rule 517(1)(a). All auction orders which remain wholly or partly unmatched shall be cancelled and deleted from the System automatically at the end of that trading day.
  - (3) If no IEP is calculated at the end of the random closing period of the Closing Auction Session in accordance with Rule 501M(1), the CAS reference price shall be treated as IEP, at-auction orders and at-auction limit orders with specified prices at or better than the CAS reference price shall be matched by automatic order matching at the CAS reference price commencing from the end of the random closing period of the Closing Auction Session. All auction orders which remain wholly or partly unmatched shall be cancelled and deleted from the System automatically at the end of that trading day.
  - (4) If no IEP is calculated at the end of the random closing period of the Closing Auction Session in accordance with Rule 501M(1) and if no CAS reference price is available and treated as IEP pursuant to Rule 501M(3), there will be no automatic order matching at the end of the random closing period of the Closing Auction Session and the auction orders (if any) shall be cancelled and deleted from the System automatically at the end of that trading day.

#### **Termination of terminal activities**

502. All terminal activities (except enquiries) shall, unless otherwise determined by the

Board, be terminated:

- (a) at the end of the random matching period for the Pre-opening Session;
- (b) at the end of the Morning Session for the Morning Session if it is not followed immediately by the Closing Auction Session;
- (c) at the end of the Closing Auction Session; and
- (d) at such time or times as may be determined by the Chief Executive in consultation with the Chairman and the Commission.

### **Cancellation of orders**

- 502A. Cancellation of orders entered in the Morning Session is permitted from 30 minutes before the Afternoon Session of the same trading day unless otherwise determined by the Board.

### **Designation and re-designation of automatch or non-automatch stock**

502B. [Repealed]

502C. [Repealed]

### **Trading of automatch stocks during the Pre-opening Session and the Closing Auction Session**

- 502D. All automatch stocks which are POS securities shall be eligible for trading during the Pre-opening Session and all automatch stocks which are CAS securities shall be eligible for trading during the Closing Auction Session unless otherwise determined by the Board. The Board has absolute discretion at any time to determine the eligibility of any issue of securities for trading during the Pre-opening Session and the Closing Auction Session. Notwithstanding any other provisions contained in these Rules, in the event that any issue of securities is determined by the Board to be not eligible for trading during the Pre-opening Session or the Closing Auction Session, there shall be no terminal activities relating to such issue of securities during the Pre-opening Session or the Closing Auction Session.

### **Opening Quotations**

503. (1) The opening quotation, if made during the Pre-opening Session, shall be made as follows: the first bid price (where there has been no first ask of the day) or the first ask price (where there has been no first bid of the day) shall not in any case deviate 9 times or more from the previous closing price, if available.
- (2) The opening quotation, if made during the Continuous Trading Session, shall be made in accordance with the following requirements:-
- (I) with respect to any automatch stocks other than Exchange Traded Funds-
    - (a) where there has been no first ask of the day, the first bid price must be higher than or equal to the previous closing price minus twenty-four spreads; and

- (b) where there has been no first bid of the day, the first ask price must be lower than or equal to the previous closing price plus twenty-four spreads,

provided that such first bid or first ask price shall not in any case deviate 9 times or more from the previous closing price, if available; and

(II) with respect to Exchange Traded Funds-

- (a) where there has been no first ask of the day, the first bid price must be higher than or equal to the lower of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the previous closing price; and
- (b) where there has been no first bid of the day, the first ask price must be lower than or equal to the higher of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the previous closing price,

provided that such first bid or first ask price shall not in any case deviate 9 times or more from the previous closing price, if available.

(3) [Repealed]

(4) [Repealed]

(5) [Repealed]

(6) [Repealed]

504. The Exchange has the right to waive the application of Rule 503, including but not limited to the first day of the ex-dividend quotation of an issue of securities.

**Quotations**

505. Rules 506A and 507A do not apply to auction orders and such orders can only be input into the System during the Pre-opening Session subject to Rule 501G or the Closing Auction Session subject to Rule 501L. Limit orders, enhanced limit orders and special limit orders can only be input into the System during the trading hours prescribed in Rule 501(1) provided that, if applicable, such orders in respect of the Extended Trading Securities can also be input into the System during the Extended Morning Session. For the avoidance of doubt,

- (1) if an order is input into the System through the Central Gateway session designated to an Exchange Participant, the order is taken for all purposes under these Rules to have been input into the System by and with the knowledge of the Exchange Participant; and

- (2) if an order is input into the System through the Special Participant Central Gateway session or Backup Special Participant Central Gateway session designated to a Special Participant, the order is taken for all purposes under these Rules to have been input into the System by and with the knowledge of the Special Participant.
- 505A. Without prejudice to the generality of Rules 506A and 507A, a buy order or a sell order shall not be made at a price that deviates 9 times or more from the nominal price, if available.
506. [Repealed]
- 506A. For quotations other than the opening quotation, a buy order (other than a buy auction order) may be made during the Continuous Trading Session as follows:-
- (1) with respect to any automatch stocks other than Exchange Traded Funds and where there are existing buy orders and sell orders on the respective primary queues-
- (a) a limit order may be made at a price within the range of twenty-four spreads below the current bid price and the current ask price;
- (b) an enhanced limit order may be made at a price within the range of twenty-four spreads below the current bid price and nine spreads above the current ask price; and
- (c) a special limit order may be made at a price higher than or equal to the current ask price.
- (1A) with respect to Exchange Traded Funds and where there are existing buy orders and sell orders on the respective primary queues-
- (a) a limit order may be made at a price within the range of (A) the lower of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the current bid price and (B) the current ask price;
- (b) an enhanced limit order may be made at a price within the range of (A) the lower of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the current bid price and (B) nine spreads above the current ask price; and
- (c) a special limit order may be made at a price higher than or equal to the current ask price.
- (2) with respect to any automatch stocks other than Exchange Traded Funds and where there is no existing buy order on the primary queue-
- (a) a limit order may be made at a price within the range of the current ask price and twenty-four spreads below whichever is the lowest of the

- current ask price, the previous closing price and the lowest transacted price of the day;
- (b) an enhanced limit order may be made at a price within the range of nine spreads above the current ask price and twenty-four spreads below whichever is the lowest of the current ask price, the previous closing price and the lowest transacted price of the day; and
  - (c) a special limit order may be made at a price higher than or equal to the current ask price.
- (2A) with respect to Exchange Traded Funds and where there is no existing buy order on the primary queue-
- (a) a limit order may be made at a price within the range of (A) the current ask price and (B) the lower of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below whichever is the lowest of the current ask price, the previous closing price and the lowest transacted price of the day;
  - (b) an enhanced limit order may be made at a price within the range of (A) nine spreads above the current ask price and (B) the lower of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below whichever is the lowest of the current ask price, the previous closing price and the lowest transacted price of the day; and
  - (c) a special limit order may be made at a price higher than or equal to the current ask price.
- (3) with respect to any automatch stocks other than Exchange Traded Funds and where there is no existing sell order on the primary queue, a limit order or an enhanced limit order may be made at a price higher than or equal to twenty-four spreads below the current bid price.
- (3A) with respect to Exchange Traded Funds and where there is no existing sell order on the primary queue, a limit order or an enhanced limit order may be made at a price higher than or equal to the lower of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the current bid price.
- (4) with respect to any automatch stocks other than Exchange Traded Funds and where there is no existing order on both primary queues, a limit order or an enhanced limit order may be made at a price higher than or equal to twenty-four spreads below whichever is the lowest of the last ask price, the previous closing price and the lowest transacted price of the day provided that if both the previous closing price and the lowest transacted price of the day are not available, a limit order or an enhanced limit order may be made at a price higher than or equal to or lower than the last ask price.

- (4A) with respect to Exchange Traded Funds and where there is no existing order on both primary queues, a limit order or an enhanced limit order may be made at a price higher than or equal to the lower of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below whichever is the lowest of the last ask price, the previous closing price and the lowest transacted price of the day provided that if both the previous closing price and the lowest transacted price of the day are not available, a limit order or an enhanced limit order may be made at a price higher than or equal to or lower than the last ask price.

507. [Repealed]

507A. For quotations other than the opening quotation, a sell order (other than a sell auction order) may be made during the Continuous Trading Session as follows:-

- (1) with respect to any automatch stocks other than Exchange Traded Funds and where there are existing buy orders and sell orders on the respective primary queues-
- (a) a limit order may be made at a price within the range of twenty-four spreads above the current ask price and the current bid price;
  - (b) an enhanced limit order may be made at a price within the range of twenty-four spreads above the current ask price and nine spreads below the current bid price; and
  - (c) a special limit order may be made at a price lower than or equal to the current bid price.
- (1A) with respect to Exchange Traded Funds and where there are existing buy orders and sell orders on the respective primary queues-
- (a) a limit order may be made at a price within the range of (A) the higher of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the current ask price and (B) the current bid price;
  - (b) an enhanced limit order may be made at a price within the range of (A) the higher of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the current ask price and (B) nine spreads below the current bid price; and
  - (c) a special limit order may be made at a price lower than or equal to the current bid price.
- (2) with respect to any automatch stocks other than Exchange Traded Funds and where there is no existing sell order on the primary queue-
- (a) a limit order may be made at a price within the range of the current

- bid price and twenty-four spreads above whichever is the highest of the current bid price, the previous closing price and the highest transacted price of the day;
- (b) an enhanced limit order may be made at a price within the range of nine spreads below the current bid price and twenty-four spreads above whichever is the highest of the current bid price, the previous closing price and the highest transacted price of the day; and
  - (c) a special limit order may be made at a price lower than or equal to the current bid price.
- (2A) with respect to Exchange Traded Funds and where there is no existing sell order on the primary queue-
- (a) a limit order may be made at a price within the range of (A) the current bid price and (B) the higher of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above whichever is the highest of the current bid price, the previous closing price and the highest transacted price of the day;
  - (b) an enhanced limit order may be made at a price within the range of (A) nine spreads below the current bid price and (B) the higher of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above whichever is the highest of the current bid price, the previous closing price and the highest transacted price of the day; and
  - (c) a special limit order may be made at a price lower than or equal to the current bid price.
- (3) with respect to any automatch stocks other than Exchange Traded Funds and where there is no existing buy order on the primary queue, a limit order or an enhanced limit order may be made at a price lower than or equal to twenty-four spreads above the current ask price.
- (3A) with respect to Exchange Traded Funds and where there is no existing buy order on the primary queue, a limit order or an enhanced limit order may be made at a price lower than or equal to the higher of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the current ask price.
- (4) with respect to automatch stocks other than Exchange Traded Funds and where there is no existing order on both primary queues, a limit order or an enhanced limit order may be made at a price lower than or equal to twenty-four spreads above whichever is the highest of the last bid price, the previous closing price and the highest transacted price of the day provided that if both the previous closing price and the highest transacted price of the day are not available, a limit order or an enhanced limit order may be made at a price lower than or

equal to or higher than the last bid price.

(4A) with respect to Exchange Traded Funds and where there is no existing order on both primary queues, a limit order or an enhanced limit order may be made at a price lower than or equal to the higher of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above whichever is the highest of the last bid price, the previous closing price and the highest transacted price of the day provided that if both the previous closing price and the highest transacted price of the day are not available, a limit order or an enhanced limit order may be made at a price lower than or equal to or higher than the last bid price.

508. All bids and offers must be firm. The liability of posting an order for an automatch stock in the System for automatic order matching is the full order quantity input into the System.

509. [Repealed]

510. [Repealed]

511. The lengths of all queues in respect of any securities shall be prescribed by the Board from time to time. The Board has absolute discretion at any time to prescribe different lengths of queues in respect of any securities for different trading sessions.

512. The scale of spreads and board lots may be amended from time to time by the Exchange. A Spread Table is prescribed in the Second Schedule to these Rules.

513. [Repealed]

### **Volatility Control Mechanism**

513A. (1) The Exchange may impose a Volatility Control Mechanism on selected securities. Unless otherwise determined by the Exchange, the operation of the VCM in relation to a VCM security involves –

(a) a VCM monitoring period as set out in Rule 513B(1) during which a cooling-off period may be triggered pursuant to Rule 513B; and

(b) (where applicable) cooling-off period(s) during which trading shall be subject to Rule 513C.

(2) The Exchange may prescribe from time to time in its absolute discretion a list of VCM securities which are subject to the VCM. For the avoidance of doubt, the Exchange may from time to time include any securities in or exclude any securities from the list of VCM securities.

(3) Rules 513B and 513C shall not apply to odd lot orders and special lot orders.

513B. (1) All orders for a VCM security input into the System during the Continuous Trading Session, with the exception of the following periods, shall be subject to VCM monitoring:



- (a) the first 15 minutes of the Morning Session;
  - (b) the last 20 minutes of the Morning Session on the eves of Christmas, New Year and Lunar New Year;
  - (c) the first 15 minutes and the last 20 minutes of the Afternoon Session; and
  - (d) such other time or times as the Exchange may from time to time prescribe.
- (2) For the purposes of Rules 513B(3), 513C(2) and 513C(3), unless otherwise determined by the Exchange –
- (a) the upper price limit means a price which is the VCM percentage above the VCM reference price, rounded down to the nearest spread; and
  - (b) the lower price limit means a price which is the VCM percentage below the VCM reference price, rounded up to the nearest spread.
- (3) During the VCM monitoring period, a cooling-off period will be triggered and commence immediately when any order or any remaining unmatched part of an order for a VCM security which, if matched in the System, will be at a price that is -
- (a) higher than the upper price limit; or
  - (b) lower than the lower price limit.
- (4) In respect of each VCM security, a cooling-off period may be triggered more than once in each of the Morning Session and the Afternoon Session. For the avoidance of doubt, there will be no cooling-off period in the last 15 minutes of the Morning Session on the eves of Christmas, New Year and Lunar New Year, and the last 15 minutes of the Afternoon Session.
- 513C. (1) A cooling-off period triggered during the Morning Session or the Afternoon Session pursuant to Rule 513B(3) shall last for 5 minutes (or such other duration as may be determined by the Exchange from time to time) from its commencement or until the end of the Morning Session or the Afternoon Session (as the case may be), whichever ends earlier. Where applicable, VCM monitoring of the relevant VCM security will resume at the end of the cooling-off period.
- (2) On the commencement of a cooling-off period, unless otherwise determined by the Exchange,
- (a) the order or the remaining unmatched part of any order, as the case may be, that triggered the cooling-off period will be rejected by the System. For the avoidance of doubt, the whole of such order or the whole of such remaining unmatched part of the order, as the case may

be, will be rejected and will not be matched in the System; and

- (b) (i) where the cooling-off period is triggered pursuant to Rule 513B(3)(a), all buy orders, including the remaining unmatched part of any buy orders, for the relevant VCM security on any buying queues in the System with a price higher than the upper price limit will be cancelled and deleted from the System automatically; or
  - (ii) where the cooling-off period is triggered pursuant to Rule 513B(3)(b), all sell orders, including the remaining unmatched part of any sell orders, for the relevant VCM security on any selling queues in the System with a price lower than the lower price limit will be cancelled and deleted from the System automatically.
- (3) Unless otherwise determined by the Exchange, during a cooling-off period,
- (a) the price of any buy order input into the System shall not be higher than the upper price limit; and
  - (b) the price of any sell order input into the System shall not be lower than the lower price limit.

### **Self-match Prevention**

- 513D. An Exchange Participant may apply for Self-match Prevention service for itself, its clients or other persons by submitting to the Exchange such form and such supporting documents as it may prescribe from time to time. An SMP ID will be assigned by the Exchange for the Exchange Participant or each client or other person approved by the Exchange under the Exchange Participant's application. Any SMP ID so assigned may only be tagged to orders of the Exchange Participant, a client or such other person approved by the Exchange, as the case may be, in accordance with such requirements as the Exchange may from time to time prescribe.
- 513E. An Exchange Participant acknowledges that orders tagged with an SMP ID entered into the System may be cancelled as part of the SMP. The Exchange shall in no case be liable for any failure or unavailability of, or error or defect in the functioning of the SMP.
- 513F. An SMP ID may be used by more than one Exchange Participant. An Exchange Participant must obtain approval from the Exchange for the use of the SMP and each SMP ID. To be approved to use the SMP and an SMP ID, an applicant Exchange Participant shall apply in writing to the Exchange and demonstrate initially and on a continuous basis to the satisfaction of the Exchange that it has implemented appropriate and effective measures and taken reasonable steps to ensure that the use of the SMP and each SMP ID is in compliance with the requirements as the Exchange may from time to time prescribe. The Exchange Participant shall be responsible and liable for the use of each SMP ID and shall notify the Exchange promptly where it becomes aware of any breach, infringement or non-compliance of these Rules or requirements as may be prescribed by the Exchange from time to time, or acts of or potential market misconduct whether by itself, its clients or other persons.

- 513G. If the Chief Executive is of the opinion that any of the requirements related to the SMP are not properly followed by an Exchange Participant or any of its clients or other persons approved under its SMP application, including any improper acts or practices in connection with their use of the SMP, the Chief Executive may by notice to the Exchange Participant, suspend or prohibit the Exchange Participant or any of its clients or other persons from using the SMP by suspending or invalidating the relevant SMP ID or otherwise, or impose such additional requirement for the use as he may consider appropriate.
- 513H. Notwithstanding any other provisions contained in these Rules, if more than one Exchange Participant applies to the Exchange for SMP service for the same person, each Exchange Participant's identity and its approval to use the SMP ID for such person may be disclosed to the other Exchange Participant(s) as the Exchange considers appropriate.

### **Odd Lot and Special Lot Quotations**

514. Odd lot orders, special lot orders to be made at a price below the lowest price limits as prescribed by the Exchange from time to time and orders to be made at a price below the lowest price limits as prescribed by the Exchange from time to time shall be input into the System by using the operation specified for odd lot transactions. Such orders can only be input into the System as aforesaid during the trading hours prescribed in Rule 501(1) and, in respect of the Extended Trading Securities, the Extended Morning Session as well.
515. [Repealed]
516. The Spread Table is also applicable to orders input into the System in accordance with Rule 514. However, Rules 506A and 507A do not apply to orders input into the System in accordance with Rule 514.
- 516A. Rule 505A is also applicable to orders input into the System in accordance with Rule 514 except when the nominal price in respect of an issue of securities is at the lowest price limit as prescribed by the Exchange under Rule 514, the lowest input price of such orders in respect of that issue of securities may be extended to \$0.001 or such other price as the Exchange shall from time to time prescribe.

### **Transactions**

517. (1) (a) During the Pre-opening Session and the Closing Auction Session, one or more transactions are struck upon completion of matching by the System based on the application of a strict order type, price and time priority methodology. For the purposes hereof, the strict order type, price and time priority methodology to be applied by the System in effecting automatic order matching during the Pre-opening Session and the Closing Auction Session is as follows: at-auction orders shall carry a higher matching priority than at-auction limit orders; the priority of matching at-auction orders shall be determined by order entry time; the priority of matching of at-auction limit orders shall be determined by the specified price; and the priority of matching at-auction limit orders with the same specified price shall be determined

by order entry time.

- (b) During the Continuous Trading Session, one or more transactions are struck upon completion of matching by the System based on the application of a strict price and time priority methodology. For the purposes hereof, the strict price and time priority methodology to be applied by the System in effecting automatic order matching during the Continuous Trading Session is as follows: the priority of matching shall be determined by orders which reflect the best specified price; and priority of orders within a queue shall be determined by order entry time. This Rule shall not apply to odd lot order transactions which will be struck upon completion of matching by manual selection through the System.

(2) [Repealed]

(3) [Repealed]

- (4) All transactions in auto-match stocks must be concluded by automatic order matching in the System unless otherwise prescribed by the Board provided that transactions concluded by using the operation specified for odd lot transactions, transactions concluded outside of the System, direct business transactions, Isolated Trades entered into for purposes of effecting a Buy-in as defined in the HKSCC Rules, and orders exceeding the size limit prescribed in Rule 517(6) shall be exempted from complying with this requirement.

(5) [Repealed]

- (6) Orders for an automatch stock input into the System for automatic order matching must be within a size limit prescribed by the Board from time to time to be eligible for automatic order matching. The Board has absolute discretion to prescribe from time to time different size limits for different order types or orders input into the System during different trading sessions. The Chief Executive after consultation with the Chairman of the Board and the Commission may vary temporarily the order size limit for different types or categories of securities, or in cases of operational needs, or in emergency situations.

517A. [Repealed]

517B. All transactions in respect of an Eligible Security (other than a China Connect Security) that are recognized by the Exchange shall be settled in CCASS, and delivery and settlement in relation to such transactions shall be effected in accordance with the HKSCC Rules. Notwithstanding the foregoing, subsequent to a transaction having been made between two Exchange Participants, the method of settlement may be amended by mutual agreement between the Exchange Participants concerned or in accordance with the HKSCC Rules.

518. The price of every transaction concluded during the Continuous Trading Session (other than that concluded outside of the System in accordance with Rule 518A or 518B) must be within the range of the current bid price and the current ask price as displayed in the System at the moment of the transaction. In case there is no current

bid price, then the price of a transaction shall be at the current ask price and vice versa. This Rule shall not apply to transactions concluded during the Pre-opening Session or the Closing Auction Session.

- 518A. The price of every transaction concluded outside of the System during the Continuous Trading Session must be within the range of the lowest of twenty-four spreads below the previous closing price, the lowest bid and the lowest ask price up to the time of the transaction on the day and the highest of twenty-four spreads above the previous closing price, the highest bid and the highest ask price up to the time of the transaction on the day. This Rule 518A shall not apply to transactions concluded during the Pre-opening Session or the Closing Auction Session and transactions with respect to Exchange Traded Funds.
- 518B. With respect to Exchange Traded Funds, the price of every transaction concluded outside of the System during the Continuous Trading Session must be within the range of (A) the lowest of (i) whichever is the lower of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the previous closing price, (ii) the lowest bid price up to the time of the transaction on the day and (iii) the lowest ask price up to the time of the transaction on the day and (B) the highest of (i) whichever is the higher of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the previous closing price, (ii) the highest bid price up to the time of the transaction on the day and (iii) the highest ask price up to the time of the transaction on the day. This Rule 518B shall not apply to transactions concluded during the Pre-opening Session or the Closing Auction Session.
519. Every transaction, except for odd lot and special lot transactions, must be for a board lot or multiples of a board lot.
- 519A. All transactions in respect of a Structured Product must only be for a board lot or multiples of a board lot. Exchange Participants shall only input orders or transactions relating to the Structured Product into the System for a board lot or multiples of a board lot.
- 520(1). Each selling Exchange Participant shall input into the System details of a sale transaction within 15 minutes after the conclusion of the transaction, but not later than:
- (a) 15 minutes after the commencement of the Morning Session in respect of transactions concluded in the Pre-opening Session;
  - (b) the end of the Morning Session in respect of transactions concluded in the Morning Session and (where the Morning Session is immediately followed by the Closing Auction Session) the end of the Closing Auction Session in respect of transactions in CAS securities concluded in the Morning Session;
  - (c) the end of the Afternoon Session in respect of transactions concluded in the Afternoon Session and (where the Afternoon Session is immediately followed by the Closing Auction Session) the end of the Closing Auction Session in respect of transactions in CAS securities concluded in the Afternoon Session; and
  - (d) the end of the Closing Auction Session in respect of transactions in CAS

securities concluded in the Closing Auction Session.

- 520(2). Any transactions not recorded in the System before the end of trading on a trading day shall be reported to the Exchange within the order input period, the no-cancellation period and the random matching period of the Pre-opening Session, or within the first 15 minutes of the commencement of the Continuous Trading Session on the next trading day as transactions concluded on that trading day on which the reporting has been made provided that if there is no Continuous Trading Session on the next trading day for whatever reason, any such transactions not reported to the Exchange as aforesaid shall be reported to the Exchange not later than the first 15 minutes of the commencement of the first trading session of the next Continuous Trading Session as transactions concluded during the trading session on which the reporting has been made.
- 520(3). Rules 520(1) and 520(2) shall apply to all transactions other than direct business transactions and transactions concluded by automatic order matching.
- 520(4). In respect of a sale transaction relating to an issue of a Structured Product concluded for the account of the issuer of the Structured Product or its associates, the selling Exchange Participant shall, in addition to complying with the requirements of Rules 520(1) to 520(2), report to the Exchange in such manner as the Board shall from time to time determine.
- 520(5). A selling Exchange Participant which fails to comply with Rules 520(1) to 520(4) shall be liable to disciplinary action by the Board.
521. The selling Exchange Participant shall input the broker number of the corresponding buying Exchange Participant when entering a transaction and shall not input the number of any other Exchange Participant.
522. All inputs are valid subject to these Rules unless otherwise determined by the Board. Subject to Rule 544(1), all trades concluded under Rule 517(1)(a) or Rule 517(1)(b) shall not be amended or cancelled and will be recognized by the Exchange unless otherwise determined by the Board.

### **Review and Rejection**

523. Each buying Exchange Participant shall review details of the transactions as recorded in its favour in the System and reject any erroneous input as soon as it discovers an error but not later than:
- (a) the end of the random matching period in respect of transactions inputted into the System during the Pre-opening Session;
  - (b) the end of the Morning Session in respect of transactions inputted into the System during the Morning Session;
  - (c) the end of the Afternoon Session in respect of transactions inputted into the System during the Afternoon Session; and
  - (d) the end of the Closing Auction Session in respect of transactions inputted into the System during the Closing Auction Session.

## **Securities Traded in Foreign Currencies**

524. Exchange Participant when inputting orders or transactions relating to securities traded in foreign currencies into the System shall take note of the ‘unit’ of each currency as prescribed in the Currencies Table in the Third Schedule to these Rules. The ‘unit’ indicates the number by which the price of the issue of securities has to be divided before inputting into the System. For example, Japanese Yen is entered in units of 1,000. The price of an issue of securities in Japanese Yen at 10,000 Yen should be entered into the System as 10 Yen.

## **Interest Bearing Securities**

525. All interest bearing securities are to be quoted in units of \$100 of their nominal value or such other value as the Board may determine from time to time.
- 525A. (1) Only professional investors are allowed to purchase debt securities listed on the Exchange under Chapter 37 of the Main Board Listing Rules.
- (2) Each Exchange Participant shall implement appropriate and effective measures and take reasonable steps to ensure compliance with Rule 525A(1), including but not limited to (a) not accepting any instruction to purchase such debt securities or inputting any order for such debt securities for any direct client of the Exchange Participant unless it is reasonably satisfied that the client is a professional investor; and (b) where such client is (i) an intermediary (as defined in the Ordinance); or (ii) a person which carries on business outside Hong Kong in an activity in respect of which it is regulated overseas and which, if carried on in Hong Kong, would constitute a regulated activity under the Ordinance, requiring such client to ensure that only professional investors are allowed to purchase such debt securities. In the event an Exchange Participant has failed to comply with the requirements under this Rule 525A, the Exchange Participant shall consider taking, and the Exchange may require the Exchange Participant to take, such actions or measures as may be necessary to remedy or rectify any non-compliance or to prevent any further non-compliance.

## **Direct Business**

526. (1) (a) It is the duty of every Exchange Participant conducting direct business transactions within the Pre-opening Session, the trading hours stipulated in Rule 501(1) and the Closing Auction Session to input details of such transactions into the System within the following time limits (or other time limits as the Exchange may from time to time determine):
- (i) in respect of direct business transactions which are ATS transactions, on a trade-by-trade basis immediately and in any case, within 1 minute after the conclusion of the transactions; and
- (ii) in respect of all other direct business transactions, within 15 minutes after the conclusion of the transactions,
- and in any event not later than

- (i) 15 minutes from the commencement of the Morning Session in respect of transactions concluded during the Pre-opening Session,
- (ii) the end of the Morning Session in respect of transactions concluded during the Morning Session and (where the Morning Session is immediately followed by the Closing Auction Session) the end of the Closing Auction Session in respect of transactions in CAS securities concluded in the Morning Session;
- (iii) the end of the Afternoon Session in respect of transactions concluded during the Afternoon Session and (where the Afternoon Session is immediately followed by the Closing Auction Session) the end of the Closing Auction Session in respect of transactions in CAS securities concluded in the Afternoon Session; and
- (iv) the end of the Closing Auction Session in respect of transactions in CAS securities concluded in the Closing Auction Session.

provided that no such duty exists for transactions concluded through automatic order matching.

- (b) Any transactions not recorded in the System before the end of trading of the relevant securities on a trading day shall be reported to the Exchange within the order input period, the no-cancellation period and the random matching period of the Pre-opening Session, or within the first 15 minutes of the commencement of the Continuous Trading Session on the next trading day as transactions concluded on that trading day on which the reporting is made provided that if there is no Continuous Trading Session on the next trading day for whatever reason, any such transactions not reported to the Exchange as aforesaid shall be reported to the Exchange not later than the first 15 minutes of the commencement of the first trading session of the next Continuous Trading Session as transactions concluded during the trading session in which the reporting is made.
- (c) In respect of
  - (i) a direct business transaction relating to an issue of a Structured Product concluded for the account of the issuer of the Structured Product or its associates; or
  - (ii) a direct business transaction which is an ATS transaction,

the Exchange Participant shall, in addition to the above requirements, report to the Exchange in such manner, at such time or times and with such details as the Exchange shall from time to time determine.

- (2) Direct business transactions conducted outside the Pre-opening Session, the trading hours stipulated in Rule 501(1) and the Closing Auction Session shall be reported within the first 15 minutes of the commencement of trading on the next trading session as transactions concluded during that trading session on which the reporting has been made provided that if the next trading session is a Pre-opening Session, such direct business transactions shall be reported within the



order input period, the no-cancellation period and the random matching period of that Pre-opening Session or the first 15 minutes of the commencement of trading on the first trading session of the next Continuous Trading Session as transactions concluded during the trading session on which the reporting has been made.

(3) The price of every direct business transaction concluded during the Continuous Trading Session must be within the range of the lowest of twenty-four spreads below the previous closing price, the lowest bid and the lowest ask price up to the time of the transaction on the day and the highest of twenty-four spreads above the previous closing price, the highest bid and the highest ask price up to the time of the transaction on the day. This Rule 526(3) shall not apply to direct business transactions concluded during the Pre-opening Session or the Closing Auction Session and transactions with respect to Exchange Traded Funds.

(3A) With respect to Exchange Traded Funds, the price of every direct business transaction concluded during the Continuous Trading Session must be within the range of (A) the lowest of (i) whichever is the lower of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded up to the nearest spread) below the previous closing price, (ii) the lowest bid price up to the time of the transaction on the day and (iii) the lowest ask price up to the time of the transaction on the day and (B) the highest of (i) whichever is the higher of twenty-four spreads or 3.5% or other percentage prescribed by the Exchange from time to time (rounded down to the nearest spread) above the previous closing price, (ii) the highest bid price up to the time of the transaction on the day and (iii) the highest ask price up to the time of the transaction on the day. This Rule 526(3A) shall not apply to direct business transactions concluded during the Pre-opening Session or the Closing Auction Session.

527. Direct business transactions once recorded by the System cannot be cancelled by the Exchange Participant concerned, unless expressly provided for under these Rules or otherwise directed by the Board. The Board may instruct that an erroneous direct business transaction be cancelled if the Exchange Participant concerned discovers an error and reports the case to the Exchange and the Board is satisfied that the error was not committed intentionally. Upon a cancellation instruction being made, the Exchange will certify to the Exchange Participant concerned that such record has been cancelled. The method of certification will be circularised by the Board and may be changed from time to time as so determined by the Board.

#### **Day-end Review of Sales/Purchases**

528. (1) (a) It is the duty of every Exchange Participant to review both sales and purchases journals at the end of each trading session. Any discrepancy, erroneous transaction or complaint should be reported to the Exchange in the form prescribed by the Board from time to time not later than 15 minutes after the commencement of the Morning Session of the next trading day.

(b) A Special Participant shall review all sales and purchases at the end of each trading session. Any discrepancy, erroneous transaction or complaint should be reported to the Exchange in the form prescribed by

the Board from time to time not later than 15 minutes after the commencement of the Morning Session of the next trading day.

- (2) If a Typhoon Signal No. 8 or above is hoisted, Extreme Conditions are announced or Black Rainstorm Warning is issued as stipulated in Rule 571(1) or an emergency as stipulated in Rule 572 occurs, the Board may in its absolute discretion extend or vary the time within which any discrepancy, erroneous transaction or complaint should be reported to the Exchange.

#### **Password and Trading Records**

529. It is the duty of every Exchange Participant and its Authorised Persons to keep confidential the password assigned by the Exchange and any password subsequently created therefrom. Under no circumstances shall the Exchange Participant distribute or disclose any password to any other person other than its Authorized Person.

530. Under no circumstances may an Exchange Participant enquire into another Exchange Participant's trading records, or use or attempt to use another Exchange Participant's password or other equipment.

531. [Repealed]

#### **Dealing Practices**

532. [Repealed]

532A. [Repealed]

532B. [Repealed]

533. [Repealed]

#### **Fees**

534. (1) [Repealed]

(2) [Repealed]

(3) Exchange Participants may impose charges in respect of the handling of the registration of share certificates at a rate of \$2 per board lot or part thereof.

(4) [Repealed]

535. [Repealed]

536. [Repealed]

536A. [Repealed]

536B. [Repealed]

#### **Disclosure of Information about Clients**

537. (1) An Exchange Participant shall, upon the request of the Board or any designated HKEX staff disclose (or where appropriate, cause its clients to disclose) to the Board or such designated HKEX staff, all information regarding the identity of a client about which the Exchange Participant is required to be satisfied on reasonable grounds in accordance with the SFC Code of Conduct and the Client Identity Guidance Note, within such period as is specified in the Client Identity Guidance Note. Such information includes the identity, address and contact details of the person or entity (legal or otherwise) ultimately responsible for originating the instruction in relation to a transaction (and the instruction given) and of the person or entity (legal or otherwise) that stands to gain the commercial or economic benefit of the transaction and/or bear its commercial or economic risk and such other information as the Board or any designated HKEX staff may request.
- (2) [Repealed]
538. [Repealed]

### **Investor Identification**

- 538A. (1) In this Rule 538A, unless the context otherwise required:
- (a) “aggregated order” shall mean an order which comprises two or more buy orders and/or sell orders for the same security placed by different clients, which may be executed as an on-exchange order or off-exchange order;
  - (b) “CE number” shall mean a central entity identification number assigned by the Commission to a Relevant Regulated Intermediary;
  - (c) “client” shall mean a client of a Relevant Regulated Intermediary as defined in paragraph 5.6(m) of the SFC Code of Conduct;
  - (d) “on-exchange order” shall mean a buy or sell order for a security which is to be executed on the System;
  - (e) “off-exchange order” shall mean a buy or sell order for a security which is to be executed outside the System and the consummation of which would result in an off-exchange trade; and
  - (f) “off-exchange trade” shall mean a trade of security which takes place outside the System but is reportable by Exchange Participants to the Exchange pursuant to the Rules.
- (2) Pursuant to paragraph 5.6(l) of the SFC Code of Conduct, a Relevant Regulated Intermediary is required to comply with all applicable Rules and other requirements as the Exchange prescribes in relation to the assignment of BCANs and the submission of BCAN-CID Mapping Files to the Exchange (including the notification of any changes, errors and omissions). As such, this Rule 538A shall apply to a Relevant Regulated Intermediary whether or not it is an Exchange Participant. The Exchange may report any breach of these Rules or any other applicable requirements by a Relevant Regulated Intermediary to the

Commission.

- (3) A Relevant Regulated Intermediary which is responsible for assigning BCANs, collecting CID and preparing the BCAN-CID Mapping File of its clients in accordance with the requirements under paragraphs 5.6 of the SFC Code of Conduct or otherwise prescribed by the Exchange or the Commission shall submit the BCAN-CID Mapping File to the Exchange in such manner and by such deadline as the Exchange may prescribe from time to time, either directly or through another Relevant Regulated Intermediary.
- (4) Without prejudice to Rule 538A(3), in order to enable an Exchange Participant to input an on-exchange order into the System or report an off-exchange trade for the account of a client on a trading day (“T day”), the Relevant Regulated Intermediary which is responsible for assigning a BCAN to the client shall, either directly or through another Relevant Regulated Intermediary, provide the BCAN-CID Mapping File to the Exchange for validation by the prescribed deadline on or before the previous trading day (“T-1 day”), unless the client is a new client who has opened the trading account with the Relevant Regulated Intermediary on T day or a client whose trading account has been inactive (irrespective of account balance or money movement) for at least 24 months since the last trade, in which case the Relevant Regulated Intermediary shall submit the BCAN-CID Mapping File containing such client’s BCAN and CID to the Exchange by the prescribed deadline on T day.
- (5) A Relevant Regulated Intermediary which is responsible for assigning BCANs and preparing the BCAN-CID Mapping File shall ensure that all information relating to the BCANs and CID in the BCAN-CID Mapping File which it submits to the Exchange is accurate and up-to-date. It shall notify the Exchange when it becomes aware that any information in the BCAN-CID Mapping File has changed, is inaccurate or should otherwise be updated, including where there is a closure of a client account, addition of a new client account, or a change in CID. A Relevant Regulated Intermediary shall report any correction or update of the CID to the Exchange in such manner and by such deadline as the Exchange may prescribe from time to time. A Relevant Regulated Intermediary shall put in place appropriate measures to require its clients to notify the Relevant Regulated Intermediary of any updates to their CID.

Notwithstanding the foregoing, a Relevant Regulated Intermediary shall ensure that the BCANs assigned to its clients will not be changed for a client unless such modification is necessary due to system upgrades or in other exceptional cases, and in such case the Relevant Regulated Intermediary shall report any amendment of the BCAN assignment and the reasons for such amendment to the Exchange in such manner and at such time as the Exchange may prescribe from time to time. A Relevant Regulated Intermediary shall also ensure that the BCANs assigned to its clients will not be re-used, except for a client which has closed and reopened a securities trading account with the Relevant Regulated Intermediary.

- (6) (a) When inputting an on-exchange order (except for an odd lot order), an Exchange Participant shall include the CE number of the Relevant Regulated Intermediary which assigned the BCAN and the BCAN to which the order relates in such manner as the Exchange may prescribe

from time to time. An order will be rejected if any of the CE number or the BCAN is missing or is in an invalid format.

- (b) For reporting a direct business transaction (except for an odd lot direct business transaction) into the System as required under Rule 501F or Rule 526, an Exchange Participant shall include the CE number of the Relevant Regulated Intermediary which assigned the BCAN and the BCAN to which the transaction relates for both the buy side and sell side in such manner as the Exchange may prescribe from time to time. Reporting of a direct business transaction will not be accepted by the System if any of the CE number or the BCAN for either the buy or sell side is missing or is in an invalid format.
- (c) For reporting an off-exchange trade (except for an odd lot transaction) into the System as required under Rule 501E or Rule 520, the selling Exchange Participant shall include the CE number of the Relevant Regulated Intermediary which assigned the BCAN and the BCAN for the sell side in such manner as the Exchange may prescribe from time to time. Reporting of a sale transaction will not be accepted by the System if any of the CE number or the BCAN is missing or is in an invalid format.

Within 15 minutes after the selling Exchange Participant input the details of a sale transaction into the System or within 30 minutes after the conclusion of the transaction, whichever is later, and in any event before market close, the buying Exchange Participant shall input the CE number of the Relevant Regulated Intermediary which assigned the BCAN and the BCAN for the buy side in such manner as the Exchange may prescribe from time to time. In the event any of the CE number or BCAN is missing or is in an invalid format, the reporting of the BCAN for the buy side by the buying Exchange Participant will be rejected by the System. If the buying Exchange Participant fails to input the CE number or the relevant BCAN before market close, it shall report the CE number and the BCAN to the Exchange in such manner and by such deadline as the Exchange may prescribe from time to time.

For the avoidance of doubt, an off-exchange trade will be recorded in the System when the selling Exchange Participant completes the input of the sale transaction and will remain valid unless the off-exchange trade is rejected by the buying Exchange Participant before the prescribed deadline, irrespective of whether the buying Exchange Participant has reported the CE number and the BCAN to the Exchange.

- (d) If an on-exchange order or off-exchange order is an aggregated order, unless otherwise prescribed by the Exchange, the Relevant Regulated Intermediary which aggregated the order shall tag a specific reserved BCAN value (as the Exchange may prescribe from time to time) to the order to be submitted to the Exchange. The Relevant Regulated Intermediary shall report each order underlying an executed aggregated order in such form the Exchange may prescribe from time to time on or before market close on the third trading day after the execution of the aggregated order (“T+3 day”). In the event that an aggregated order is

partially executed, a Relevant Regulated Intermediary is only required to report the portion of the order that has been executed.

- (e) In the event of any non-compliance by an Exchange Participant of any requirements under this Rule 538A(6), notwithstanding the rejection of any order or non-acceptance of the reporting of any off-exchange trade, the Exchange Participant which fails to input the CE number or the relevant BCAN may be subject to further inquiries and disciplinary action by the Exchange.
  - (f) A Relevant Regulated Intermediary shall put in place appropriate measures to ensure that clients' BCANs or the specific reserved BCAN values (as the Exchange may prescribe from time to time) which are tagged to on-exchange orders or off-exchange trades are correct and valid.
- (7)
- (a) An Exchange Participant which has included an incorrect BCAN (irrespective of whether the incorrect BCAN was tagged by itself or passed on from another Relevant Regulated Intermediary) when inputting an order into the System shall promptly cancel the order through the input of a cancellation request into the System if such order has not been matched or executed by the System. If such order has been matched or executed by the System, the Exchange Participant shall report any correction of BCAN to the Exchange in such manner as the Exchange may prescribe from time to time.
  - (b) In the event that an Exchange Participant has included an incorrect BCAN (irrespective of whether the incorrect BCAN was tagged by itself or passed on from another Relevant Regulated Intermediary) in an off-exchange transaction, the Exchange Participant which inputs the incorrect BCAN shall report any correction of BCAN to the Exchange in such manner as the Exchange may prescribe from time to time. If the transaction which includes an incorrect BCAN has been rejected by the buying Exchange Participant, the selling Exchange Participant shall re-input the off-exchange transaction with a correct BCAN into the System, and no reporting of the BCAN correction shall be required.
  - (c) A Structured Product Liquidity Provider which has included an incorrect BCAN to a quote shall amend such incorrect BCAN directly from the System without cancelling the quote. However, the relevant Structured Product Liquidity Provider shall also report the amendment activity to the Exchange in such manner as the Exchange may prescribe from time to time.
- (8) A Relevant Regulated Intermediary shall ensure that all necessary authorizations and written or other express consents are obtained from each existing and new individual client regarding the collection, storage, processing, use, disclosure and transfer of personal data in relation to such client's BCANs and CID, including authorizations and consents which:
- (a) allow the Relevant Regulated Intermediary to disclose and transfer the client's personal data (including BCANs and CID) by the Relevant Regulated Intermediary to the Exchange and/or the Commission in

accordance with the rules and requirements of the Exchange and the Commission in effect from time to time;

- (b) allow the Exchange to: (i) collect, store, process and use their personal data (including BCANs and CID) for market surveillance and monitoring purposes and enforcement of these Rules; (ii) disclose and transfer such information to the relevant regulators and law enforcement agencies in Hong Kong (including, but not limited to, the Commission) so as to facilitate the performance of their statutory functions with respect to the Hong Kong financial markets; and (iii) use such information for conducting analysis for the purposes of market oversight; and
- (c) allow the Commission to: (i) collect, store, process and use their personal data (including BCANs and CID) for the performance of its statutory functions including monitoring, surveillance and enforcement functions with respect to the Hong Kong financial markets; and (ii) disclose and transfer such information to relevant regulators and law enforcement agencies in Hong Kong in accordance with applicable laws or regulatory requirements,

in each case in full compliance with all applicable laws including the Personal Data (Privacy) Ordinance and such that any subsequent purported withdrawal of authorization or consent by an individual client will not affect the continued storage, processing, use, disclosure and transfer of personal data for the above purposes.

- (9) If the necessary authorizations and consents under this Rule 538A(8) from an individual client in relation to the collection, storage, processing, use, disclosure and transfer of the BCANs and CID as required under these Rules cannot be obtained by a Relevant Regulated Intermediary or are otherwise invalid or deficient, the Relevant Regulated Intermediary shall not submit any BCAN or CID of that client to the Exchange, and the Exchange Participant executing the on-exchange order or off-exchange order shall only input sell orders in respect of existing holdings of securities for that client (but not any buy orders) into the System or report sale transactions for the account of such client. A specific reserved BCAN value (as the Exchange may prescribe from time to time) should be tagged to such sell order or sale transaction. Subject to the requirements under paragraph 5.6 of the SFC Code of Conduct, the Exchange may impose such criteria, conditions and requirements as the Exchange may in its sole discretion consider appropriate from time to time to determine the orders and transactions which may be allowed to be inputted into the System for such client under such circumstances.
- (10) Each Relevant Regulated Intermediary shall implement appropriate and effective measures and take all reasonable steps to ensure compliance with the requirements set out in this Rule 538A and any other requirements pertaining to investor identification as the Exchange may prescribe from time to time.
- (11) In addition to any other powers that the Exchange may have under these Rules, the Exchange may at any time require an Exchange Participant to provide the Exchange with such information as it may request to assess whether there is, or the extent of, any non-compliance with the requirements set out in this Rule

**Dealings in Suspended Securities**

539. Under no circumstances shall an Exchange Participant deal in suspended securities otherwise than as set out in this Rule. An Exchange Participant which fails to comply with this Rule shall be liable to disciplinary action by the Board except that the following dealings in suspended securities shall not constitute a breach of this Rule:-

- (1) where trading in the securities is suspended due to the fact that the percentage of such securities held by the public has fallen below the prescribed minimum percentage under the Main Board Listing Rules or the GEM Listing Rules (as the case may be), dealing in such securities by an Exchange Participant for the purpose of facilitating the restoration of the prescribed minimum percentage provided that the Exchange Participant shall report all such transactions in accordance with the procedures prescribed by the Exchange from time to time;
- (2) the return of borrowed securities in which trading is suspended (without creating a new securities borrowing position), or making payment in lieu of such return;
- (3) where trading in an applicable Market Making Security is suspended,
  - (a) the borrowing of shares of such applicable Market Making Security; or
  - (b) the placing of an order for the creation of shares of such applicable Market Making Security in accordance with the terms for the creation of shares of such Market Making Security as required by the issuer of shares of such Market Making Security

by a Securities Market Maker for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists for the purpose of completing a Securities Market Maker Short Selling transaction concluded prior to the suspension;
- (3A) where trading in a Dual Counter Security is suspended, the borrowing of shares of such Dual Counter Security by a Dual Counter Market Maker for its own account or for the account of any of its affiliates for the purpose of completing a Dual Counter Market Maker Short Selling transaction concluded prior to the suspension;
- (4) where trading in the securities is temporarily suspended for a period in relation to any of the following activities (and not for other reasons):-
  - (a) “placing” of such securities by or on behalf of the issuer of such securities under the Main Board Listing Rules or the GEM Listing Rules (as the case may be) or by an existing shareholder of such issuer; and
  - (b) “offer for subscription”, “offer for sale”, “rights issue” and “open offer” of such securities under the Main Board Listing Rules or the GEM Listing Rules (as the case may be),

in the case of “placing” the buying and selling of the placed securities by an Exchange Participant during the first 5 trading days of such period of suspension



and in the case of “offer for subscription”, “offer for sale”, “rights issue” and “open offer” the entering into of subscription agreement or underwriting agreement with the issuer of such securities, the existing shareholder of such issuer or the underwriter in respect of such securities by an Exchange Participant during the first 5 trading days of such period of suspension provided that the Exchange Participant has complied with the requirements which the Exchange may prescribe from time to time. Notwithstanding the foregoing, an Exchange Participant may, in respect of any such “placing”, “offer for subscription”, “offer for sale”, “rights issue” and/or “open offer”, apply to the Exchange for an extension of the period for which dealings in the securities in the period of suspension shall not constitute a breach of Rule 539 and the Exchange may authorize the extension for such period as the Exchange considers appropriate; and

- (5) the lending or borrowing of the suspended security by an Exchange Participant to facilitate the settlement of the delivery obligations which may arise from the exercise and assignment of stock options contracts on the suspended security under the Options Trading Rules and the Clearing Rules.

540. Where dealing in an issue of securities has been suspended during trading hours stipulated in Rule 501 and (where applicable) the Extended Morning Session, the selling Exchange Participants shall report any transactions that have been concluded before the suspension but not yet input into the System. Such a report shall be made within 15 minutes of the suspension by the selling Exchange Participants concerned in accordance with the procedures prescribed by the Exchange.

#### **Dealings with Suspended Exchange Participants**

541. Except as may otherwise be permitted by the Board or the Chief Executive, under no circumstances shall an Exchange Participant deal with an Exchange Participant whose Exchange Participantship or right to access the System has been suspended. An Exchange Participant which fails to comply with this Rule shall be liable to disciplinary action by the Board.
542. Where an Exchange Participant whose Exchange Participantship or right to access the System has been suspended during the trading hours stipulated in Rule 501 and/or the Extended Morning Session, any Exchange Participant which has conducted transactions with the suspended Exchange Participant before the suspension shall report any such transactions that have not yet been input into the System. Such a report shall be made within 15 minutes of the suspension by the Exchange Participant concerned, in accordance with the procedures prescribed by the Exchange.

543. [Repealed]

#### **Transactions not Recognized**

544. (1) The Exchange will only recognize those transactions which are duly recorded or concluded through the System within the trading hours stipulated in these Rules or otherwise recorded in the System pursuant to these Rules and, in the case of a CBBC, which are duly recorded or concluded through the System or otherwise recorded in the System prior to or at the time of the relevant call event as notified by the issuer to or otherwise determined by the Exchange.

- (2) Save and except direct business transactions conducted in accordance with Rule 526 and direct business transactions in respect of the Extended Trading Securities conducted in accordance with Rule 501F, Exchange Participants shall cause transactions in securities listed or admitted to trading on the Exchange whether conducted during trading hours or after trading hours to be input into the System at the earliest opportunity. Any such transactions not so recorded shall not be recognized.
- (3) Any transaction relating to any dealing in any securities the subject matter of a new issue or placement for the purpose of qualifying for a listing shall not be recognized until such securities have been granted a listing by the Exchange.
- (4) The Exchange will not entertain disputes between Exchange Participants in connection with or arising from any transactions that are not recognized.

**Market Misconduct etc.**

**False trading**

545. (1) A Participant shall not do anything or cause anything to be done, with the intention that it has, or is likely to have, the effect of creating a false or misleading appearance:-
- (a) of active trading in securities traded on the Exchange; or
  - (b) with respect to the market for, or the price for dealings in securities traded on the Exchange.
- (1A) A Participant shall not take part in, be concerned in, or carry out, directly or indirectly, one or more transactions, with the intention that it or they has or have, or is or are likely to have, the effect of creating an artificial price, or maintaining at a level that is artificial (whether or not it was previously artificial) a price, for dealings in securities traded on the Exchange.
- (1B) Without limiting the generality of Rule 545(1), where a Participant:-
- (a) enters into or carries out, directly or indirectly, any transaction of sale or purchase, or any transaction which purports to be a transaction of sale or purchase, of securities that does not involve a change in the beneficial ownership of them;
  - (b) offers to sell securities at a price that is substantially the same as the price at which it has made or proposes to make, an offer to purchase the same or substantially the same number of them; or
  - (c) offers to purchase securities at a price that is substantially the same as the price at which it has made or proposes to make, an offer to sell the same or substantially the same number of them,

then, unless the transaction in question is an off-market transaction, the Participant shall, for the purposes of Rule 545(1), be regarded as doing

something or causing something to be done, with the intention that it has, or is likely to have, the effect of creating a false or misleading appearance of active trading in securities traded on the Exchange or with respect to the market for, or the price for dealing in, securities so traded.

- (1C) In Rule 545(1B), “off-market transaction” has the same meaning as in section 274(7) of the Ordinance.
- (1D) In Rules 545(1) to (1B), references to a transaction of sale or purchase and entering into and carrying out a transaction of sale or purchase have the same meaning as in section 274(8) of the Ordinance.
- (2) [Repealed]

### **Price rigging**

- (3) A Participant shall not:-
  - (a) enter into or carry out, directly or indirectly, any transaction of sale or purchase of securities that does not involve a change in the beneficial ownership of those securities, which has the effect of maintaining, increasing, reducing, stabilizing, or causing fluctuations in, the price of securities traded on the Exchange; or
  - (b) enter into or carry out, directly or indirectly, any fictitious or artificial transaction or device, with the intention that, it has the effect of maintaining, increasing, reducing, stabilizing, or causing fluctuations in, the price of securities traded on the Exchange.
- (3A) In Rule 545(3), references to a transaction of sale or purchase and entering into or carrying out a transaction of sale or purchase have the same meaning as in section 275(5) of the Ordinance.

### **Disclosure of information about prohibited transactions**

- (4) A Participant shall not disclose, circulate or disseminate, or authorize or be concerned in the disclosure, circulation or dissemination of, information to the effect that the price of securities of a corporation that are traded on the Exchange will be maintained, increased, reduced or stabilized, or is likely to be maintained, increased, reduced or stabilized, because of a prohibited transaction relating to securities of the corporation, if it:-
  - (a) has entered into or carried out, directly or indirectly, the prohibited transaction; or
  - (b) has received, or expects to receive, directly or indirectly, a benefit as a result of the disclosure, circulation or dissemination of the information.
- (4A) In Rule 545(4), references to a prohibited transaction and any person having entered into or carried out the prohibited transaction have the same meaning as in section 276(3) of the Ordinance.

### **Fraudulent or deceptive devices, etc. in transactions in securities**

- (5) A Participant shall not, directly or indirectly, in a transaction involving securities trading:-
- (a) employ any device, scheme or artifice with intent to defraud or deceive; or
  - (b) engage in any act, practice, or course of business which is fraudulent or deceptive or would operate as a fraud or deception.
- (5A) In Rule 545(5), a reference to a transaction includes an offer and an invitation (however expressed).

### **Stock market manipulation**

- (6) A Participant shall not:-
- (a) enter into or carry out, directly or indirectly, 2 or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction increase, or are likely to increase, the price of any securities traded on the Exchange, with the intention of inducing another person to purchase or subscribe for, or to refrain from selling, securities of the corporation;
  - (b) enter into or carry out, directly or indirectly, 2 or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction reduce, or are likely to reduce, the price of any securities traded on the Exchange, with the intention of inducing another person to sell, or to refrain from purchasing, securities of the corporation; or
  - (c) enter into or carry out, directly or indirectly, 2 or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction maintain or stabilize, or are likely to maintain or stabilize, the price of any securities traded on the Exchange, with the intention of inducing another person to sell, purchase or subscribe for, or to refrain from selling, purchasing or subscribing for, securities of the corporation.
- (6A) In Rule 545(6), references to a transaction and entering into or carrying out a transaction have the same meaning as in section 278(3) of the Ordinance.

### **Disclosure of false or misleading information inducing transactions**

- (7) A Participant shall not disclose, circulate or disseminate, or authorize or be concerned in the disclosure, circulation or dissemination of, information that is likely:-
- (a) to induce another person to subscribe for securities traded on the Exchange;

- (b) to induce the sale or purchase of securities by another person; or
- (c) to maintain, increase, reduce or stabilize the price of securities traded on the Exchange,

if -

- (i) the information is false or misleading as to material fact, or is false or misleading through the omission of a material fact; and
- (ii) the Participant knows that the information is false or misleading as to a material fact, or is false or misleading through the omission of a material fact.

### **Insider dealing**

- (8) A Participant shall not participate in any insider dealing in relation to any securities listed or admitted to trading on the Exchange. For the purposes of this Rule 545(8), insider dealing shall have the same meaning as that used in Division 4 of Part XIII of the Ordinance.
- (8A) In Rule 545(8), “securities” has the same meaning as in section 245(2) of the Ordinance.

546. [Repealed]

547. [Repealed]

547A. [Repealed]

## **Trading Hall Rules**

### **Admission to the Trading Hall**

548. [Repealed]

### **Use of Trading Hall**

548A. [Repealed]

### **Conduct in the Trading Hall**

549. [Repealed]

550. [Repealed]

### **Year 2000 Compliant**

550A. [Repealed]

### **Equipment Failure**

551. (1) In case of a failure, error or defect in any of the trading equipment supplied by

the Exchange and installed in the address of a Participant or any other locations, the Participant shall report the same to the Exchange immediately and the Exchange shall have absolute discretion in replacing the equipment, where possible. Under no circumstances shall the Exchange be responsible for losses or damages arising from any such failure, error or defect in the equipment.

- (2) [Repealed]

## **Delivery and Settlement**

### **General Provisions**

552. Prices quoted, unless otherwise stipulated, are cum all.
- 552A. Scrips and transfer deeds should be delivered in such manner as prescribed by the Board from time to time. All deliveries shall be in board lot unless otherwise agreed by the contracting parties.
553. It is the duty of the selling Exchange Participant to see that:-
- (1) the instrument of transfer is correctly stamped in accordance with the Stamp Duty Ordinance; and
  - (2) the transferor's signature is duly witnessed and the transferor's name (with Chinese characters where necessary), the number of shares and the certificate numbers of the share certificate being transferred are correctly stated on the instrument of transfer.
554. A selling Exchange Participant is responsible for good delivery including the responsibility for:-
- (a) passing good title to the securities to a transferee;
  - (b) delivery of the share scrip together with all necessary documents including the relevant instrument(s) of transfer duly executed by the transferor and bearing the endorsement as required by the Stamp Duty Ordinance or as otherwise provided by law; and
  - (c) the securities being freely transferrable and if in registered form capable of being registered, re-registered or re-issued.
- 554A. In the event of any defective transfer whereby a transferee, due to no fault of his or its own, is:-
- (a) unable to effect registration, re-registration or re-issuance of a transfer of the securities purported to be transferred by a transferor under the relevant instrument(s) of transfer for any reason whatsoever including any defect in the relevant instrument(s) of transfer or in the title to the securities;
  - (b) following registration, re-registration or re-issuance of a transfer of securities found, not to have good title to such securities;

then in any such event a selling Exchange Participant shall take all steps necessary to correct such defective transfer within seven (7) days of the receipt of notice of such defective transfer from a transferee or the Exchange. The selling Exchange Participant shall further be responsible for any and all costs and expenses associated therewith including any losses suffered by a transferee as a result of a selling Exchange Participant's failure to comply with the responsibilities prescribed in Rule 554. For the avoidance of doubt, a selling Exchange Participant shall, notwithstanding the fact that a transferee may also be partially at fault, continue to have the responsibilities specified in Rule 554.

555. (1) Delivery and payment must be effected between 9:30 a.m. and 3:45 p.m. on the second trading day following the date of the transaction. Provided that if the transaction is made on the day preceding the first date of ex-all quotation of the securities, delivery and payment must be effected between 9:30 a.m. and 12:00 noon on the second trading day following the date of the transaction. If the selling Exchange Participant is unable to complete the delivery in time, it shall be responsible for the dividends, bonuses or any other rights so entitled.
- (2) Payment must be effected to the selling Exchange Participant as and when the selling Exchange Participant delivers the scrips within the times specified in Rule 555(1) to effect settlement. The Exchange Participants which are parties to a transaction may by mutual agreement effect delivery and payment earlier than specified in Rule 555(1) and in which case the agreed time or day shall be binding on the Exchange Participants.
- (3) For the purposes of delivery and payment, the eves of Christmas, New Year and Lunar New Year shall not count as trading days.
556. Should the buying Exchange Participant fail to take delivery or the selling Exchange Participant fail to deliver on the due date, the party not in default shall report the default to the Exchange as soon as it becomes aware of the matter. The Board may then summon both parties for an explanation and if thought fit the Board shall call upon the party in default to effect delivery within such reasonable time as the Board shall fix. Should the party in default fail to comply with the Board's instruction at the expiry of the time allowed by the Board, the Board may (without prejudice to the other powers conferred on the Board by the Articles and these Rules) direct the Exchange Participant not in default to obtain or dispose of the securities in the open market and the party in default shall be responsible for any difference in price and all incidental expenses.
557. Under no circumstances may an Exchange Participant repudiate a transaction recognized by the Exchange in accordance with these Rules.
558. Any Exchange Participant which fails, in relation to a transaction in a non-Eligible Security, to comply with Rules 552 to 557 shall be liable to the disciplinary action by the Board.
- 558A. Any Exchange Participant which fails, in relation to a transaction in an Eligible Security (other than a China Connect Security), to comply with Rules 552 to 557 where applicable, shall be liable to disciplinary action by the Board.
559. Exchange Participants shall not be liable for any claim of dividends, bonuses or any other rights so entitled where securities are delivered one trading day before the date

advertised for the closing of register of transfers of such securities.

560. Unless agreed upon between the Exchange Participants concerned, no delivery shall take place on a non-trading day or such other days as may be determined by the Exchange.
561. The endorsement required by section 19(1)(d) of the Stamp Duty Ordinance caused to be made on the instrument of transfer by Exchange Participants shall:-
- (1) in the case of an instrument of transfer which is printed on the reverse of a share certificate be 18 millimetres in height and 45 millimetres in breadth; and
  - (2) in any other case be either 18 or 30 millimetres in height and 45 millimetres in breadth; and
  - (3) in every case shall be rectangular in shape and shall bear the broker number and firm name of the Exchange Participant as well as the date of such endorsement.

The Board may prescribe by circular the standard design of the endorsement.

562. If at the time of delivery there is no defect in the title to the shares involved, the selling Exchange Participant shall be relieved of all responsibility if the transfer is not presented to the company concerned for registration 24 hours before the date of the next closing of books of that company.
563. [Repealed]

#### **Registration of Warrants**

- 563A. All registered warrants listed on the Exchange may be subject to a registration period imposed by the Exchange (“the imposed registration period”) at such times, for such duration and upon such terms and conditions as the Exchange may, in its sole discretion, deem fit.
- 563B. The provisions of Rule 554 will apply to any selling Exchange Participant which delivers a warrant certificate during or after the end of the imposed registration period which should have been registered during the imposed registration period but which has not been so registered.

#### **Securities Borrowing and Lending**

- 563C. Exchange Participants engaged in securities borrowing shall comply at all times with the Regulations regarding securities borrowing in the Sixth Schedule to these Rules and as approved by the Exchange from time to time or the HKSCC Rules (as the case may be).

#### **Short Selling**

- 563D. (1) With the exception of Securities Market Maker Short Selling by a Securities Market Maker, Dual Counter Market Maker Short Selling by a Dual Counter Market Maker, Structured Product Liquidity Provider Short Selling by a Structured Product Liquidity Provider, Designated Index Arbitrage Short



Selling by a Designated Index Arbitrage Short Selling Participant, Stock Futures Hedging Short Selling by a Designated Stock Futures Hedging Short Selling Participant, Structured Product Hedging Short Selling by a Structured Product Hedging Participant and Options Hedging Short Selling by a Market Maker or an Options Hedging Participant, short selling shall be limited to transactions in (a) Designated Securities which are also POS securities effected on the Exchange during the Pre-opening Session, (b) Designated Securities effected on the Exchange during the Continuous Trading Session and (c) Designated Securities which are also CAS securities effected on the Exchange during the Closing Auction Session. For the avoidance of doubt, only at-auction limit orders may be input into the System as short selling orders during the Pre-opening Session and the Closing Auction Session. Exchange Participants engaged in short selling shall comply at all times with the Ordinance as amended from time to time, and the Regulations regarding short selling in the Eleventh Schedule to these Rules as approved by the Exchange from time to time.

- (2) Securities Market Maker Short Selling shall be limited to transactions in Market Making Securities effected on the Exchange by a Securities Market Maker for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists during the Continuous Trading Session. A Securities Market Maker engaged in Securities Market Maker Short Selling shall comply at all times with the Ordinance and the Regulations regarding Securities Market Maker Short Selling in the Fourteenth Schedule to these Rules as approved by the Exchange from time to time.
- (3) Structured Product Liquidity Provider Short Selling shall be limited to transactions in Structured Products effected on the Exchange by a Structured Product Liquidity Provider in the course of performing liquidity providing functions during the Continuous Trading Session. A Structured Product Liquidity Provider engaged in Structured Product Liquidity Provider Short Selling shall comply at all times with the Ordinance and the Regulations regarding Structured Product Liquidity Provider Short Selling in the Eighteenth Schedule to these Rules as approved by the Exchange from time to time.
- (4) [Repealed]
- (5) Designated Index Arbitrage Short Selling shall be limited to transactions in the underlying stocks of an index or indexes prescribed by the Exchange from time to time. A Designated Index Arbitrage Short Selling Participant shall comply at all times with the Ordinance and the Regulations regarding Designated Index Arbitrage Short Selling in the Fifteenth Schedule to these Rules as approved by the Exchange from time to time.
- (6) Stock Futures Hedging Short Selling shall be limited to transactions in the underlying stocks of Stock Futures Contracts traded on HKFE. A Designated Stock Futures Hedging Short Selling Participant shall comply at all times with the Ordinance and the Regulations regarding Stock Futures Hedging Short Selling in the Fifteenth Schedule to these Rules as approved by the Exchange from time to time.
- (7) Structured Product Hedging Short Selling shall be limited to transactions in the

underlying stocks of single stock derivative warrants and single stock CBBs. A Structured Product Hedging Participant shall comply at all times with the Ordinance and the Regulations regarding Structured Product Hedging Short Selling in the Fifteenth Schedule to these Rules as approved by the Exchange from time to time.

- (8) Options Hedging Short Selling shall be limited to transactions in the underlying stocks of Options Contracts. A Market Maker or an Options Hedging Participant shall comply at all times with the Ordinance and the Regulations regarding Options Hedging Short Selling in the Fifteenth Schedule to these Rules as approved by the Exchange from time to time.
- (9) Dual Counter Market Maker Short Selling shall be limited to transactions in Dual Counter Securities effected on the Exchange by a Dual Counter Market Maker for its own account or for the account of any of its affiliates during the Pre-opening Session, the Continuous Trading Session and the Closing Auction Session. A Dual Counter Market Maker engaged in Dual Counter Market Maker Short Selling shall comply at all times with the Ordinance and the Regulations regarding Dual Counter Market Maker Short Selling in the Nineteenth Schedule to these Rules as approved by the Exchange from time to time.

563E. (1) In this Rule the term “short selling” shall have the meaning ascribed to them in the Eleventh Schedule to these Rules.

(2) The Exchange reserves the right at its absolute discretion:-

- (a) to suspend, without giving prior notice, the short selling of a Designated Security, Securities Market Maker Short Selling, Dual Counter Market Maker Short Selling, Structured Product Liquidity Provider Short Selling, Designated Index Arbitrage Short Selling, Stock Futures Hedging Short Selling, Structured Product Hedging Short Selling or Options Hedging Short Selling;
- (b)
  - (i) for short selling and Securities Market Maker Short Selling, to impose limits on the number of shares of a particular Designated Security, or Market Making Security, which may be short sold;
  - (ii) for Structured Product Liquidity Provider Short Selling, to impose limits on the number of Structured Products, which may be short sold;
  - (iii) for Designated Index Arbitrage Short Selling, to impose limits on the number of shares of a particular underlying stock of a Designated Index (as defined in the Fifteenth Schedule) or the Tracker Fund of Hong Kong, which may be short sold;
  - (iv) for Stock Futures Hedging Short Selling, to impose limits on the number of shares of an underlying stock of a Stock Futures Contract traded on HKFE, which may be short sold;
  - (v) for Structured Product Hedging Short Selling, to impose limits on

the number of shares of an underlying stock of a single stock derivative warrant or a single stock CBBC, which may be short sold;

- (vi) for Options Hedging Short Selling, to impose limits on the number of shares of an underlying stock of an Options Contract, which may be short sold;
  - (vii) for Dual Counter Market Maker Short Selling, to impose limits on the number of shares of a particular Dual Counter Security in either or both the primary counter and secondary counter, which may be short sold.
- (c) to impose open short sold position limits on the number of shares of a particular Designated Security which an Exchange Participant may hold on its own account or for the account of its clients, on the number of shares of a particular Market Making Security which a Securities Market Maker may hold in respect of Securities Market Maker Short Selling for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists, on the number of shares of a particular Dual Counter Security which a Dual Counter Market Maker may hold in respect of Dual Counter Market Maker Short Selling in either or both the primary counter and secondary counter for its own account or for the account of any of its affiliates, on the number of Structured Products which a Structured Product Liquidity Provider may hold in respect of Structured Product Liquidity Provider Short Selling for the account of an issuer or the account of any of its associates, on the number of shares of a particular underlying stock of a Designated Index (as defined in the Fifteenth Schedule) or the Tracker Fund of Hong Kong which a Designated Index Arbitrage Short Selling Participant may hold on its own account or for the account of its clients in respect of Designated Index Arbitrage Short Selling, on the number of shares of an underlying stock of a Stock Futures Contract traded on HKFE which a Designated Stock Futures Hedging Short Selling Participant may hold for a client in respect of Stock Futures Hedging Short Selling, on the number of shares of an underlying stock of a single stock derivative warrant or a single stock CBBC which a Structured Product Hedging Participant may hold for the account of an issuer or the account of any of its associates in respect of Structured Product Hedging Short Selling and on the number of shares of an underlying stock of an Options Contract which a Market Maker may hold for its own account or for the account of an affiliate or which an Options Hedging Participant may hold for the account of a Market Maker or for the account of an affiliate of the Market Maker in respect of Options Hedging Short Selling;
- (d)
    - (i) to require an Exchange Participant to cease short selling whether temporarily or permanently and either generally or in relation to a particular Designated Security;
    - (ii) to require a Securities Market Maker to cease Securities Market Maker Short Selling whether temporarily or permanently and

either generally or in relation to a particular Market Making Security;

- (iii) to require a Structured Product Liquidity Provider to cease Structured Product Liquidity Provider Short Selling whether temporarily or permanently and either generally or in relation to a particular Structured Product;
  - (iv) to require a Designated Index Arbitrage Short Selling Participant to cease Designated Index Arbitrage Short Selling or a Designated Stock Futures Hedging Short Selling Participant to cease Stock Futures Hedging Short Selling whether temporarily or permanently and either generally or in relation to a particular underlying stock of a Designated Index (as defined in the Fifteenth Schedule) or an underlying stock of a Stock Futures Contract traded on HKFE;
  - (v) to require a Structured Product Hedging Participant to cease Structured Product Hedging Short Selling whether temporarily or permanently and either generally or in relation to a particular underlying stock of a single stock derivative warrant or a single stock CBBC;
  - (vi) to require a Market Maker or an Options Hedging Participant to cease Options Hedging Short Selling whether temporarily or permanently and either generally or in relation to a particular underlying stock of an Options Contract;
  - (vii) to require a Dual Counter Market Maker to cease Dual Counter Market Maker Short Selling whether temporarily or permanently, whether in either or both the primary counter and secondary counter, and either generally or in relation to a particular Dual Counter Security;
- (e)
- (i) to require an Exchange Participant to liquidate any or all open short sold positions held on its own account or for the account of its clients either generally or in relation to a particular Designated Security;
  - (ii) to require a Securities Market Maker to liquidate any or all open short sold positions in respect of Securities Market Maker Short Selling held for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists either generally or in relation to a particular Market Making Security;
  - (iii) to require a Structured Product Liquidity Provider to liquidate any or all open short sold positions in respect of Structured Product Liquidity Provider Short Selling for the account of an issuer or the account of any of its associates either generally or in relation to a particular Structured Product;

- (iv) [Repealed]
- (v) to require a Designated Index Arbitrage Short Selling Participant to liquidate any or all open short sold positions held in respect of Designated Index Arbitrage Short Selling on its own account or for the account of its clients either generally or in relation to a particular underlying stock of a Designated Index (as defined in the Fifteenth Schedule);
- (vi) to require a Designated Stock Futures Hedging Short Selling Participant to liquidate any or all open short sold positions held in respect of Stock Futures Hedging Short Selling for the account of its clients either generally or in relation to a particular underlying stock of a Stock Futures Contract traded on HKFE;
- (vii) to require a Structured Product Hedging Participant to liquidate any or all open short sold positions held in respect of Structured Product Hedging Short Selling for the account of an issuer or the account of any of its associates either generally or in relation to a particular underlying stock of a single stock derivative warrant or a single stock CBBC;
- (viii) to require a Market Maker to liquidate any or all open short positions held in respect of Options Hedging Short Selling for its own account or for the account of an affiliate either generally or in relation to a particular underlying stock of an Options Contract;
- (ix) to require an Options Hedging Participant to liquidate any or all open short sold positions held in respect of Options Hedging Short Selling for the account of a Market Maker or the account of an affiliate of the Market Maker either generally or in relation to a particular underlying stock of an Options Contract;
- (x) to require a Dual Counter Market Maker to liquidate any or all open short sold positions held in respect of Dual Counter Market Maker Short Selling for its own account or for the account of any of its affiliates in either or both the primary counter and secondary counter and either generally or in relation to a particular Dual Counter Security;
- (f) to stipulate for the purpose of Rule 563E(2)(e) the manner in which an Exchange Participant, a Securities Market Maker, a Structured Product Liquidity Provider, a Designated Index Arbitrage Short Selling Participant, a Designated Stock Futures Hedging Short Selling Participant, a Structured Product Hedging Participant, a Market Maker, an Options Hedging Participant or a Dual Counter Market Maker is to liquidate open short sold positions; and
- (g) (i) to require an Exchange Participant to disclose to the Exchange the number of shares of a Designated Security in which the Exchange Participant holds an open short sold position either on its own account or for the account of its clients;

- (ii) to require a Securities Market Maker to disclose to the Exchange the number of shares of a particular Market Making Security in which the Securities Market Maker holds an open short sold position for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists;
- (iii) to require a Structured Product Liquidity Provider to disclose to the Exchange the number of Structured Products in which the Structured Product Liquidity Provider holds an open short sold position for the account of an issuer or the account of any of its associates;
- (iv) to require a Designated Index Arbitrage Short Selling Participant to disclose to the Exchange the number of shares of the underlying stocks of a Designated Index (as defined in the Fifteenth Schedule) in which the Designated Index Arbitrage Short Selling Participant holds an open short sold position in respect of Designated Index Arbitrage Short Selling either on its own account or for the account of its clients;
- (v) to require a Designated Stock Futures Hedging Short Selling Participant to disclose to the Exchange the number of shares of an underlying stock of a Stock Futures Contract traded on HKFE in which the Designated Stock Futures Hedging Short Selling Participant holds an open short sold position in respect of Stock Futures Hedging Short Selling for the account of its clients;
- (vi) to require a Structured Product Hedging Participant to disclose to the Exchange the number of shares of an underlying stock of a single stock derivative warrant or a single stock CBBC in which the Structured Product Hedging Participant holds an open short sold position in respect of Structured Product Hedging Short Selling for the account of an issuer or any of its associates;
- (vii) to require a Market Maker to disclose to the Exchange the number of shares of an underlying stock of an Options Contract in which the Market Maker holds an open short sold position in respect of Options Hedging Short Selling for its own account or for the account of an affiliate;
- (viii) to require an Options Hedging Participant to disclose to the Exchange the number of shares of an underlying stock of an Options Contract in which the Options Hedging Participant holds an open short sold position in respect of Options Hedging Short Selling for the account of a Market Maker or for the account of an affiliate of the Market Maker; and
- (ix) to require a Dual Counter Market Maker to disclose to the Exchange the number of shares and the counter of a particular Dual Counter Security in which the Dual Counter Market Maker holds an open short sold position for its own account or for the account of any of its affiliates.

### **RMB Trading Support Facility**

## **The TSF**

563F. Rules 563F to 563S which relate to the TSF are binding on Exchange Participants which have been registered as TSF Exchange Participants.

HKSCC may, as TSF operator, provide FX Services to TSF Participants for the purpose of facilitating the purchase and sale of TSF Stocks traded on the Exchange based on the following principles:

- (1) HKSCC may provide FX Services to TSF Exchange Participants for the conversion of HKD to RMB (to support TSF Buy FX Orders and TSF Buy FX Transactions) and for the conversion of RMB to HKD (to support TSF Sell FX Orders and TSF Sell FX Transactions);
- (2) TSF Exchange Participants which place a TSF Buy FX Order accept that the funds in RMB which HKSCC may provide under the FX Services shall be applied towards the purchase of the relevant TSF Stocks only and accordingly shall only be used for the purposes of settling the corresponding TSF Buy Exchange Trade, when effected on the System;
- (3) For the clearing and settlement of TSF Exchange Trades and for the settlement of the corresponding TSF FX Transactions, in accordance with Rule 901(ia) of the HKSCC Rules, the rights and obligations of a TSF Exchange Participant under or in relation to a TSF Exchange Trade and the corresponding TSF FX Transaction shall be assumed and taken up, as principal, in substitution for, and with exactly the same rights and obligations under the TSF Exchange Trade and the corresponding TSF FX Transaction, by the TSF Clearing Participant which has been designated by the TSF Exchange Participant for clearing TSF Exchange Trades; and where a TSF Exchange Participant is itself a TSF Clearing Participant, such rights and obligations shall be assumed by it as CCASS DCP under the HKSCC Rules;
- (4) For the purposes of providing the FX Services and fulfilling its obligations arising from the provision of such services, HKSCC may acquire RMB from, and sell RMB to, one or several TSF Partner Banks on a principal-to-principal basis. Subject to obtaining such RMB funding from TSF Partner Banks, HKSCC may provide the FX Services to TSF Participants also on a principal-to-principal basis. Accordingly, the provision of FX Services for a TSF FX Order and for the settlement of a TSF FX Transaction is conditional and dependent on the relevant TSF Partner Bank providing FX rates to HKSCC and delivering to HKSCC the relevant funds in RMB or HKD, as the case may be;
- (5) TSF Stocks purchased with the support of the TSF shall be earmarked as such; held in specially designated accounts of TSF CCASS Participants as prescribed by the HKSCC Rule; and be subject to restrictions on transfer to other accounts and withdrawal of share certificates from CCASS;
- (6) TSF Participants wishing to sell earmarked TSF Stocks shall, subject to exceptions, be obliged to sell such TSF Stocks through the use of the TSF and to accept the sale proceeds of such TSF Stocks in HKD;

- (7) The sale of earmarked TSF Stocks through the use of the TSF will result in the de-earmarking of the TSF Stocks. The process of earmarking and de-earmarking of TSF Stocks is set out in the HKSCC Rules;
- (8) In the event that HKSCC is unable to obtain RMB or HKD from TSF Partner Banks, HKSCC shall have the option to exercise its relevant powers under the HKSCC Rules without obtaining the prior consent of any person; and
- (9) The terms and conditions for the provision of the FX Services as set out in Rules 563F to 563S may be amended by the Exchange (in consultation with HKSCC) from time to time. TSF Exchange Participants agree and acknowledge that HKSCC may impose additional requirements or special conditions on the provision of the FX Services whenever it considers appropriate. Further, TSF Exchange Participants agree and acknowledge that HKSCC and the Exchange may vary, modify, waive or disapply these Rules and the HKSCC Rules to suit the circumstances of a particular situation as a variety of circumstances may exist which require it to make ad hoc decisions in relation to the operation of the TSF. Specifically, HKSCC has the power to suspend or cease to provide the FX Services temporarily or permanently in its sole and absolute discretion.

### **TSF Participants**

563G. Only TSF Participants will be permitted to use the TSF.

There are two categories of TSF Participants: TSF Exchange Participants and TSF CCASS Participants. The Exchange has the power to accept Exchange Participants as TSF Exchange Participants and HKSCC has the power to accept its participants as TSF CCASS Participants. An entity may be accepted as a TSF Exchange Participant and a TSF CCASS Participant.

The Exchange may by notice from time to time prescribe the eligibility criteria for Exchange Participants to be accepted for registration and to remain registered as TSF Exchange Participants.

### **Criteria for Registration as TSF Exchange Participants**

- 563H. (1) Only the following Exchange Participants shall be eligible to apply for registration and to remain registered as TSF Exchange Participants:
- (a) Exchange Participants that are themselves CCASS DCPs or CCASS GCPs; and
  - (b) Exchange Participants that are not CCASS DCPs but have entered into CCASS Clearing Agreements with CCASS GCPs that have been accepted for registration by HKSCC and to remain registered as TSF Clearing Participants.
- (2) In the case of an Exchange Participant that is itself a CCASS DCP, to be accepted for registration and to remain registered as a TSF Exchange Participant, it must:
- (a) meet the TSF Participant Registration Criteria;
  - (b) be approved as a TSF Exchange Participant and such approval must not have been withdrawn by the Exchange; and



- (c) be approved as a TSF Clearing Participant and such approval must not have been withdrawn by HKSCC.
- (3) In the case of an Exchange Participant that is not a CCASS DCP, to be accepted for registration and to remain registered as a TSF Exchange Participant, it must:
- (a) meet the TSF Participant Registration Criteria;
  - (b) be approved as a TSF Exchange Participant and such approval must not have been withdrawn by the Exchange; and
  - (c) have entered into a CCASS Clearing Agreement with a CCASS GCP which has been accepted for registration by HKSCC and to remain registered as a TSF Clearing Participant.
- (4) An Exchange Participant wishing to apply for registration as a TSF Exchange Participant must apply to the Exchange in writing in such form as the Exchange may from time to time prescribe. The Exchange's decision in respect of an application shall be final and conclusive. Where an application is rejected, the Exchange is not obliged to give any reasons for its decision.

### **TSF Stocks**

- 563I. HKSCC may establish and maintain a list of TSF Stocks designated as eligible to be traded on the Exchange with the support of the TSF. The list of TSF Stocks may be amended by HKSCC from time to time in its absolute discretion. HKSCC may publish the list of TSF Stocks on the HKEX website or by such other means as it considers appropriate.

Unless HKSCC otherwise determines, the TSF shall only be available for supporting the trading of Eligible Securities in the form of shares (which may be denominated in any currency) which are accepted for trading on the Exchange in RMB and which are included in the list of TSF Stocks.

### **FX Services**

- 563J. HKSCC may provide FX Services to TSF Exchange Participants in respect of TSF FX Orders and TSF FX Transactions.

In the case of TSF Buy FX Orders and TSF Buy FX Transactions, provision of the FX Services involves HKSCC selling RMB to a TSF Exchange Participant on a principal-to-principal basis through the conversion of HKD to RMB.

In the case of TSF Sell FX Orders and TSF Sell FX Transactions, provision of the FX Services involves HKSCC buying RMB from a TSF Participant on a principal-to-principal basis through the conversion of RMB to HKD.

The FX Services will not be provided to support the trading of Eligible Securities which are not TSF Stocks.

### **Trades Supported by TSF**

563K. The TSF is only available for trades:

- (1) which are designated by a TSF Exchange Participant as trades which require the FX Services and are effected on the System in accordance with Rule 563M; and
- (2) which are Exchange Trades accepted by HKSCC for settlement under the CNS System in accordance with the HKSCC Rules.

#### **Trades Not Supported by TSF**

563L. TSF is not available to:

- (1) any trades that are not accepted by HKSCC for settlement under the CNS System or are settled under an Isolated Trades System of CCASS;
- (2) any trades which are not effected on the System; and
- (3) any trades which have not been designated by a TSF Exchange Participant as requiring the FX Services.

#### **TSF FX Orders, TSF FX Transactions and TSF Exchange Trades**

- 563M. (1) Where a TSF Exchange Participant wishes to purchase TSF Stocks with the support of the TSF, it shall input the buy order for the relevant TSF Stocks and the corresponding TSF Buy FX Order into the System as follows:
- (a) where the buy order is input during the Pre-opening Session of a trading day, such order shall be in the form of an at-auction order; and where the buy order is input during the Continuous Trading Session of a trading day, such order shall be in the form of a special limit order, an odd lot order or a special lot order; and
  - (b) where the TSF Buy FX Order is input during any trading session of a trading day, it shall be input into the System by making the relevant designation as the Exchange may from time to time prescribe.
- (2) Where a TSF Exchange Participant wishes to sell earmarked TSF Stocks with the support of the TSF, it shall input the sell order for the relevant earmarked TSF Stocks and the corresponding TSF Sell FX Order into the System as follows:
- (a) where the sell order is input during any trading session of a trading day, such order can be made in any order type permitted by the Rules; and
  - (b) where the TSF Sell FX Order is input during any trading session of a trading day, it shall be input into the System by making the relevant designation as the Exchange may from time to time prescribe.
- (3) A TSF Exchange Participant shall input a TSF Buy FX Order by reference to the applicable RMB Sell Indicative FX Rate and a TSF Sell FX Order by reference to the applicable RMB Buy Indicative FX Rate, as referred to in Rule 563N.
- (4) Subject to trade amendments as allowed by the Exchange under the Rules and the publication of the FX rates referred to in Rule 563N on the relevant trading day, upon the effect of a TSF Buy Exchange Trade on the System:

- (a) a TSF Buy FX Transaction relating to the corresponding TSF Buy FX Order shall automatically be generated;
  - (b) the TSF Buy FX Transaction shall be binding on the TSF Exchange Participant and shall not be subject to revocation by it;
  - (c) the TSF Exchange Participant shall be bound to buy RMB from HKSCC at the applicable RMB Sell Final FX Rate;
  - (d) the TSF Exchange Participant shall acknowledge that HKSCC may seek to acquire RMB from one or more TSF Partner Banks on a principal-to-principal basis for the purposes of fulfilling its obligation under the TSF Buy FX Transaction; and agree that upon delivery of the funds in RMB by one or more TSF Partner Banks to HKSCC, the TSF Exchange Participant shall be deemed to have authorised HKSCC to apply the funds in RMB for the settlement of the TSF Buy Exchange Trade in accordance with the HKSCC Rules; and
  - (e) the TSF Exchange Participant shall, through the substitution of its rights and obligations under the TSF Buy Exchange Trade and the corresponding TSF FX Transaction by a CCASS GCP in accordance with Rule 563P, or if it is itself a TSF Clearing Participant, settle the corresponding TSF Buy FX Transaction on the day on which the TSF Buy Exchange Trade shall be settled under the HKSCC Rules by delivering to HKSCC the relevant amount of HKD calculated by reference to the RMB Sell Final FX Rate.
- (5) Subject to trade amendments as allowed by the Exchange under the Rules and the publication of the FX rates referred to in Rule 563N on the relevant trading day, upon the effect of a TSF Sell Exchange Trade on the System:
- (a) a TSF Sell FX Transaction relating to the TSF Sell FX Order shall automatically be generated;
  - (b) the TSF Sell FX Transaction shall be binding on the TSF Exchange Participant and shall not be subject to revocation by it;
  - (c) the TSF Exchange Participant shall be bound to sell RMB to HKSCC at the applicable RMB Buy Final FX Rate; and
  - (d) the TSF Exchange Participant shall acknowledge that HKSCC may seek to sell RMB to one or more TSF Partner Banks on a principal-to-principal basis for the purposes of fulfilling its obligation under the TSF Sell FX Transaction; agree that it shall be deemed to have authorised HKSCC to apply the RMB sale proceeds of the relevant earmarked TSF Stocks (which are the subject of the TSF Sell Exchange Trade) towards the settlement of the TSF Sell FX Transaction on the day on which the TSF Sell Exchange Trade shall be settled under the HKSCC Rules at the RMB Buy Final FX Rate; and accept that subject to exceptions as set out in the HKSCC Rules, the proceeds of sale of the relevant earmarked TSF Stocks shall be paid in HKD.

## **RMB FX Rates**

563N. On any trading day when the FX Services are available and when the TSF has not been temporarily suspended or ceased to operate, the following rates will be published on the HKEX website or by such other means as HKSCC considers appropriate:

- (1) The RMB Buy Indicative FX Rate: In relation to HKSCC offering the FX Service of buying RMB, this is the indicative RMB buy rate, expressed as the amount of HKD per one RMB, for TSF Sell FX Orders input by TSF Exchange Participants during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant trading day, to be published by HKSCC at approximately 9:30 a.m. for the Pre-opening Session and the Morning Session (if any), and at approximately 1:00 p.m. for the Afternoon Session (if any).
- (2) The RMB Sell Indicative FX Rate: In relation to HKSCC offering the FX Service of selling RMB, this is the indicative RMB sell rate, expressed as the amount of HKD per one RMB, for TSF Buy FX Orders input by TSF Exchange Participants during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant trading day, to be published by HKSCC at approximately 9:30 a.m. for the Pre-opening Session and the Morning Session (if any), and at approximately 1:00 p.m. for the Afternoon Session (if any).
- (3) The RMB Buy Final FX Rate: In relation to HKSCC offering the FX Service of buying RMB, this is the RMB buy rate specified by HKSCC, expressed as the amount of HKD per one RMB, that shall apply to the settlement of TSF Sell FX Transactions generated during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant trading day, provided that such RMB buy rate shall not be lower than the RMB Buy Indicative FX Rate published by HKSCC for the relevant trading session on the relevant trading day. The RMB Buy Final FX Rate for TSF Sell FX Transactions generated during the Pre-opening Session and the Morning Session (if any) will be published at approximately 12:45 p.m., and the RMB Buy Final FX Rate for TSF Sell FX Transactions generated during the Afternoon Session (if any) will be published at approximately 4:45 p.m., of a trading day.
- (4) The RMB Sell Final FX Rate: In relation to HKSCC offering the FX Service of selling RMB, this is the RMB sell rate specified by HKSCC, expressed as the amount of HKD per one RMB, that shall apply to the settlement of TSF Buy FX Transactions generated during the Pre-Opening Session, the Morning Session or the Afternoon Session, as the case may be, of the relevant trading day, provided that such RMB sell rate shall not be higher than the RMB Sell Indicative FX Rate published by HKSCC for the relevant trading session on the relevant trading day. The RMB Sell Final FX Rate for TSF Buy FX Transactions generated during the Pre-opening Session and the Morning Session (if any) will be published at approximately 12:45 p.m., and the RMB Sell Final FX Rate for TSF Buy FX Transactions generated during the Afternoon Session (if any), will be published at approximately 4:45 p.m., of a trading day.
- (5) HKSCC may in its discretion determine to publish the FX rates set out in this Rule at such other times as it considers appropriate, whether due to a change in the trading hours of the Exchange or otherwise.
- (6) For the avoidance of doubt, where any order for the sale or purchase of TSF Stocks input into the System by a TSF Exchange Participant during the Morning Session is not effected during that Session but is transferred to the Afternoon Session of a trading day for execution:

- (a) the RMB Buy Indicative FX Rate or the RMB Sell Indicative FX Rate published by HKSCC for the Afternoon Session shall apply to the corresponding TSF FX Order; and
- (b) where the order is effected on the System during the Afternoon Session, the RMB Buy Final FX Rate or the RMB Sell Final FX Rate published by HKSCC for the Afternoon Session shall apply to the corresponding TSF FX Transaction.

### **HKSCC's Obligations as TSF Operator**

- 563O. (1) The provision of the FX Services by HKSCC and HKSCC's obligations to settle TSF FX Transactions are at all times conditional and dependent on the relevant TSF Partner Bank providing FX rates to HKSCC and delivering funds or sufficient funds in RMB or HKD to HKSCC on the relevant settlement day.
- (2) HKSCC shall not be responsible for any failure to provide the FX Services for any TSF FX Orders or TSF FX Transactions if its performance is prevented, hindered or delayed by the failure of one or more TSF Partner Banks to provide the FX rates to HKSCC or to sell or purchase RMB which leads to a suspension or cessation of operation of the TSF in accordance with the HKSCC Rules.

### **Substitution Process**

- 563P. Where one of the parties to a TSF Exchange Trade is a TSF Exchange Participant which is not a CCASS Clearing Participant, the CCASS GCP of that TSF Exchange Participant designated for clearing TSF Exchange Trades of such TSF Exchange Participant shall become a party to the TSF Exchange Trade and the corresponding TSF FX Transaction as principal in substitution for, and with exactly the same rights and obligations under the TSF Exchange Trade and the corresponding TSF FX Transaction as, that TSF Exchange Participant at the same time as the relevant TSF Exchange Trade is effected on the System.

### **Temporary Suspension of TSF**

- 563Q. (1) HKSCC may temporarily suspend all or any part of the FX Services in its sole and absolute discretion, including, without limiting the foregoing, when:
- (a) in the judgement of HKSCC, the FX Services or any part thereof may not be maintained or provided in a manner that would ensure the existence of a fair and orderly market;
  - (b) in the judgement of HKSCC, it has reasonable grounds for concern that the RMB and/or HKD funding available to HKSCC may not be sufficient to support the fulfilment of its obligations under, or to support the settlement of, any or all TSF FX Orders or TSF FX Transactions; or
  - (c) in the judgment of HKSCC, there are operational or technical issues which must be resolved prior to the continuation of the TSF or any part of the FX Services.
- (2) In exercising its judgement under this Rule, HKSCC is entitled to have regard to all relevant factors and circumstances including, without limitation, the availability of RMB and/or HKD in the market and the relevant FX rates, the demand for FX

Services, the TSF Partner Banks' individual or aggregate commitment to provide FX rates or funding to HKSCC for the purposes of operating the TSF, the level of utilisation of such committed funding by HKSCC, whether a TSF Partner Bank has failed to provide committed funding and a TSF Partner Bank's willingness to be bound by, or its ability to perform, its obligation to provide FX rates or funding to HKSCC as agreed.

- (3) If HKSCC decides to suspend all or part of the FX Services, it shall publish an announcement, on the HKEX website and/or by such other means as HKSCC considers appropriate, stating which part of the FX Services will be suspended, whether any TSF Exchange Trade, TSF FX Transaction or Stock Release FX Transaction will be affected, the effective date and time of suspension and any other information as HKSCC shall consider appropriate.
- (4) Unless HKSCC otherwise determines or specifies:
  - (a) a suspension of part of the FX Services does not affect the availability of other FX Services. Specifically, a suspension of the FX Services for TSF Buy FX Orders does not affect FX Services for TSF Sell FX Orders, and a suspension of the FX Services for TSF Buy FX Transactions does not affect the FX Services for TSF Sell FX Transactions and vice versa;
  - (b) where the FX Services for TSF Buy FX Orders are suspended, all TSF Buy FX Orders input on the System and all TSF Buy FX Transactions generated after the effective date or time of the suspension shall not be dealt with or settled by HKSCC; and
  - (c) where the FX Services for TSF Sell FX Orders are suspended, all TSF Sell FX Orders input on the System and all TSF Sell FX Transactions generated after the effective date or time of the suspension shall not be dealt with or settled by HKSCC.

### **Cessation of Operation of TSF**

563R. HKSCC may, in its sole and absolute discretion, decide to cease the operation of the TSF permanently, with immediate effect or otherwise by publishing an announcement on the HKEX website or by such other means as HKSCC considers appropriate.

If HKSCC decides to cease operating the TSF under this Rule, HKSCC shall notify the TSF Participants, the Exchange and the Commission in advance and shall specify the necessary arrangements and the conditions (including the treatment of earmarked TSF Stocks and any outstanding TSF FX Transactions) upon which the cessation of operation of the TSF shall take effect, having regard to such considerations and circumstances as HKSCC may consider fair and reasonable.

### **Typhoons, Extreme Conditions and Rainstorms**

563S. If a Typhoon Signal No.8 or above is hoisted or lowered, Extreme Conditions are announced or cancelled and/or a Black Rainstorm Warning is issued or cancelled on any Business Day, Rule 571 shall apply and accordingly, publication of the RMB Buy Indicative FX Rate, RMB Sell Indicative FX Rate, RMB Buy Final FX Rate and RMB Sell Final FX Rate may be delayed to such time or times as HKSCC considers appropriate.

## Miscellaneous Provisions

### Disputes

564. Any dispute between Participants, whether arising from a breach of these Rules or otherwise, shall be immediately reported to the Exchange.
565. [Repealed]
566. Information, communication, documents, recordings, or computer records of transactions maintained by the Exchange and/or Participants are admissible evidence of transactions of Participants.
567. Any adjustments to a Participant's trading records kept by the Exchange can only be made after a dispute has been reported and a decision made by the Exchange. Any such decision shall be final and conclusive and binding on the parties involved.

### Reports of Default of other Exchange Participants

568. It is the duty of an Exchange Participant to immediately report all or any defaults of fellow Exchange Participants in the due honour of cheques issued for the purchase of securities or in the due payment of sums for purchase of securities. A selling Exchange Participant which has failed to report such defaults on the trading day immediately following the receipt of any notice of dishonour shall be deemed to have committed a breach of these Rules. The Exchange reserves the right not to entertain any complaint by Exchange Participants if it is not lodged within the said period of time.

### Power of the Board to Investigate and Demand Documents

569. (1) The Board shall designate any HKEX staff or authorize any other person from time to time when it thinks fit to carry out investigation at the registered business address of a Participant and any other locations at which it carries out its business of dealing in securities or order routing, as the case may be, and to make enquiries relating to the business of a Participant to determine whether or not the Participant has complied with the provisions of these Rules.
- (2) A Participant shall grant access to its registered business address and any other locations, at which it carries out its business of dealing in securities or order routing, as the case may be, and make available such accounts, and other records or documents of that Participant to any person appointed pursuant to Rule 569(1), or his designate, and allow that person to make copies of such accounts, records or documents as that person appointed or authorized under Rule 569(1) above shall require.
- (3) (a) A Participant shall promptly and within the period as the person appointed or authorized under Rule 569(1) may specify, answer any enquiries made by that person truthfully and fully.

- (b) A Participant shall within such period as the Board may specify, of the receipt of a written demand from the Board, submit to it such accounts, records and documents as the Board may demand.
- (4) If any investigation is carried out and a written report is produced to the Board, the Participant concerned shall have the right to request a copy of such report. The Board may also at the request of an authorized officer of the Commission or of the Exchange's recognized exchange controller, provide a copy of such a report to him and the Participant shall be deemed to have authorized the Board to do so.
- (5) Any expenses incidental to or consequential upon an investigation under Rule 569 shall be borne by the Participant concerned unless the Board otherwise determines.
- (6) In the event of the Board exercising its discretion in ordering an investigation, the Participant concerned shall not be entitled to claim against the Exchange, its recognized exchange controller, the Board, the officers and employees of the Exchange or any other authorized person for any loss or damage whatsoever.

#### **Disclosure of Information**

569A. The Board shall regard information concerning a Participant as confidential. Disclosure of such information shall not be made to any person without the prior approval of the Participant except that the Board may disclose the information without such prior approval:

- (a) whenever the Board has a statutory obligation to disclose the information;
- (b) to the Commission;
- (c) to any exchange, regulatory authority or any organization (whether within or outside Hong Kong) with which HKEX or the Exchange has entered into an information sharing arrangement or agreement;
- (d) in the form of a summary compiled from similar or related information obtained from other Participants if the summary is so compiled as to prevent particulars relating to the business or identity, or the trading particulars, of any Participant being ascertained from it;
- (e) with a view to the institution of, or otherwise for the purposes of, any criminal proceedings or investigation, whether under the Ordinance or otherwise, in Hong Kong;
- (f) in connection with any civil proceedings arising out of the Ordinance or otherwise in Hong Kong;
- (g) to the Market Misconduct Tribunal established by section 251 of the Ordinance;
- (h) to HKSCC;
- (i) to SEOCH;



- (j) to any recognized exchange controller;
- (k) to any company of which a recognized exchange controller which is a controller of the Exchange is a controller;
- (l) to the chief executive or the chief operating officer of HKEX for the time being appointed or deemed to have been appointed in accordance with the Ordinance or, as the context may require, their designees;
- (m) in respect of information concerning a China Connect Exchange Participant, to the relevant SEHK Subsidiary, China Connect Market Operator, China Connect Clearing House or governmental or regulatory bodies;
- (n) in respect of any order or trading information of a Securities Market Maker relating to a Market Making Security, to the issuer of such Market Making Security; and
- (o) in respect of any order or trading information of a Dual Counter Market Maker relating to a Dual Counter Security, to the issuer of such Dual Counter Security.

569B. The Board may direct a Participant to provide it with any information requested by an exchange, regulatory authority or an organization (whether within or outside Hong Kong) with which HKEX or the Exchange has entered into an information sharing arrangement or agreement.

570. [Repealed]

### **Typhoons, Extreme Conditions and Rainstorms**

571. Unless otherwise decided by the Board, the trading and settlement arrangements in the event of Typhoon Signal No. 8 or above, Extreme Conditions and Black Rainstorm Warnings shall be as follows:

(1) (a) Trading arrangement for all trading days except the eves of Christmas, New Year and Lunar New Year where the Hong Kong Observatory has hoisted or lowered a Typhoon Signal No. 8 or above or where Extreme Conditions have been announced or cancelled

(i)	If a Typhoon Signal No. 8 or above is hoisted or Extreme Conditions are announced at any time prior to 9:00 a.m.:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> <li>- Commencement of trading in the Pre-opening Session will take place at 9:00 a.m. as usual if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 7:00 a.m..</li> <li>- There will be no trading in the Pre-opening Session if the Signal is lowered and Extreme Conditions are cancelled (where applicable) after 7:00 a.m..</li> </ul>
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		<ul style="list-style-type: none"> <li>- Commencement of trading in the Morning Session will take place: <ul style="list-style-type: none"> <li>- at 9:30 a.m. as usual if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 7:30 a.m.;</li> <li>- at 10:00 a.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 8:00 a.m.;</li> <li>- at 10:30 a.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 8:30 a.m.; or</li> <li>- at 11:00 a.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 9:00 a.m..</li> </ul> </li> <li>- There will be no trading in the Morning Session if the Signal is lowered and Extreme Conditions are cancelled (where applicable) after 9:00 a.m..</li> <li>- Commencement of trading in the Afternoon Session will take place: <ul style="list-style-type: none"> <li>- at 1:00 p.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 11:00 a.m.;</li> <li>- at 1:30 p.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 11:30 a.m.; or</li> <li>- at 2:00 p.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 12:00 noon.</li> </ul> </li> <li>- There will be no trading for the day if the Signal is lowered and Extreme Conditions are cancelled (where applicable) after 12:00 noon.</li> </ul>
(ii)	<p>If a Typhoon Signal No. 8 or above is hoisted or Extreme Conditions are announced during the Pre-opening Session:</p>	<p>The position will be as follows:</p> <ul style="list-style-type: none"> <li>- Trading in the Pre-opening Session will continue until the end of the Session but there will be no trading in the Morning Session and the Extended Morning Session.</li> <li>- Commencement of trading in the Afternoon Session will take place: <ul style="list-style-type: none"> <li>- at 1:00 p.m. if the Signal is lowered and Extreme Conditions are cancelled (where</li> </ul> </li> </ul>

		<p>applicable) at or before 11:00 a.m.;</p> <ul style="list-style-type: none"> <li>- at 1:30 p.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 11:30 a.m.; or</li> <li>- at 2:00 p.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 12:00 noon.</li> <li>- There will be no trading in the Morning Session, the Extended Morning Session, the Afternoon Session and the Closing Auction Session if the Signal is lowered and Extreme Conditions are cancelled (where applicable) after 12:00 noon.</li> </ul>
(iii)	If a Typhoon Signal No. 8 or above is hoisted or Extreme Conditions are announced during the Morning Session:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> <li>- Trading will be terminated 15 minutes after the hoisting of the Signal or announcement of Extreme Conditions and there will be no trading in the Extended Morning Session.</li> <li>- Commencement of trading in the Afternoon Session will take place: <ul style="list-style-type: none"> <li>- at 1:00 p.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 11:00 a.m.;</li> <li>- at 1:30 p.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 11:30 a.m.; or</li> <li>- at 2:00 p.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 12:00 noon.</li> </ul> </li> <li>- There will be no trading in the Extended Morning Session, the Afternoon Session and the Closing Auction Session if the Signal is lowered and Extreme Conditions are cancelled (where applicable) after 12:00 noon.</li> </ul>
(iv)	If a Typhoon Signal No. 8 or above is hoisted or Extreme Conditions are announced after the end of the Morning Session but before the commencement of the Afternoon Session (i.e. during the Extended Morning Session):	<p>The position will be as follows:</p> <ul style="list-style-type: none"> <li>- If there was trading in the Morning Session, trading in the Extended Morning Session will be terminated 15 minutes after the hoisting of the Signal or announcement of Extreme Conditions and there will be no trading in the Afternoon Session and the Closing Auction Session.</li> </ul>

		<ul style="list-style-type: none"> <li>- If there was no trading in the Morning Session and pursuant to Rule 501B, no trading in the Extended Morning Session, there will also be no trading in the Afternoon Session and the Closing Auction Session.</li> </ul>
(v)	If a Typhoon Signal No. 8 or above is hoisted or Extreme Conditions are announced before 3:45 p.m. during the Afternoon Session:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> <li>- Trading will be terminated 15 minutes after the hoisting of the Signal or announcement of Extreme Conditions and there will be no trading for the rest of the day.</li> </ul>
(vi)	If a Typhoon Signal No. 8 or above is hoisted or Extreme Conditions are announced at or after 3:45 p.m. during the Afternoon Session or the Closing Auction Session:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> <li>- Trading will continue until the end of the Closing Auction Session.</li> </ul>

(1)	(aa) Trading arrangement for the eves of Christmas, New Year and Lunar New Year where the Hong Kong Observatory has hoisted or lowered a Typhoon Signal No. 8 or above or where Extreme Conditions have been announced or cancelled	
(i)	If a Typhoon Signal No. 8 or above is hoisted or Extreme Conditions are announced at any time prior to 9:00 a.m.:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> <li>- Commencement of trading in the Pre-opening Session will take place at 9:00 a.m. as usual if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 7:00 a.m..</li> <li>- There will be no trading in the Pre-opening Session if the Signal is lowered and Extreme Conditions are cancelled (where applicable) after 7:00 a.m..</li> <li>- Commencement of trading in the Morning Session will take place: <ul style="list-style-type: none"> <li>- at 9:30 a.m. as usual if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 7:30 a.m.;</li> <li>- at 10:00 a.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 8:00 a.m.;</li> <li>- at 10:30 a.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 8:30 a.m.; or</li> </ul> </li> </ul>

		<ul style="list-style-type: none"> <li>- at 11:00 a.m. if the Signal is lowered and Extreme Conditions are cancelled (where applicable) at or before 9:00 a.m..</li> <li>- There will be no trading for the day if the Signal is lowered and Extreme Conditions are cancelled (where applicable) after 9:00 a.m..</li> </ul>
(ii)	If a Typhoon Signal No. 8 or above is hoisted or Extreme Conditions are announced during the Pre-opening Session:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> <li>- Trading in the Pre-opening Session will continue until the end of the Session but there will be no trading in the Morning Session and the Closing Auction Session.</li> </ul>
(iii)	If a Typhoon Signal No. 8 or above is hoisted or Extreme Conditions are announced before 11:45 a.m. during the Morning Session:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> <li>- Trading will be terminated 15 minutes after the hoisting of the Signal or announcement of Extreme Conditions and there will be no trading for the rest of the day.</li> </ul>
(iv)	If a Typhoon Signal No. 8 or above is hoisted or Extreme Conditions are announced at or after 11:45 a.m. during the Morning Session or the Closing Auction Session:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> <li>- Trading will continue until the end of the Closing Auction Session.</li> </ul>

(1)	(b) Trading arrangement for all trading days where the Hong Kong Observatory has issued or cancelled a Black Rainstorm Warning	
(i)	If a Black Rainstorm Warning is issued at any time prior to 9:00 a.m.:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> <li>- Commencement of trading in the Pre-opening Session will take place at 9:00 a.m. as usual if the Warning is cancelled at or before 7:00 a.m..</li> <li>- There will be no trading in the Pre-opening Session if the Warning is cancelled after 7:00 a.m..</li> <li>- Commencement of trading in the Morning Session will take place: <ul style="list-style-type: none"> <li>- at 9:30 a.m. as usual if the Warning is cancelled at or before 7:30 a.m.;</li> <li>- at 10:00 a.m. if the Warning is cancelled at or before 8:00 a.m.;</li> <li>- at 10:30 a.m. if the Warning is cancelled at or</li> </ul> </li> </ul>

		<p>before 8:30 a.m.; or</p> <ul style="list-style-type: none"> <li>- at 11:00 a.m. if the Warning is cancelled at or before 9:00 a.m..</li> <li>- There will be no trading in the Morning Session if the Warning is cancelled after 9:00 a.m.</li> <li>- Commencement of trading in the Afternoon Session will take place: <ul style="list-style-type: none"> <li>- at 1:00 p.m. if the Warning is cancelled at or before 11:00 a.m.;</li> <li>- at 1:30 p.m. if the Warning is cancelled at or before 11:30 a.m.; or</li> <li>- at 2:00 p.m. if the Warning is cancelled at or before 12:00 noon.</li> </ul> </li> <li>- There will be no trading for the day if the Warning is cancelled after 12:00 noon.</li> </ul>
(ii)	If a Black Rainstorm Warning is issued during the Pre-opening Session, the Morning Session, the Afternoon Session or the Closing Auction Session:	<p>The position will be as follows:</p> <ul style="list-style-type: none"> <li>- If there was trading before the issuance of the Warning, trading will continue as usual.</li> <li>- If there was no trading before the issuance of the Warning, there will be no trading provided that if the Warning was issued during the Pre-opening Session or the Morning Session, commencement of trading in the Afternoon Session will take place: <ul style="list-style-type: none"> <li>- at 1:00 p.m. if the Warning is cancelled at or before 11:00 a.m.;</li> <li>- at 1:30 p.m. if the Warning is cancelled at or before 11:30 a.m.; or</li> <li>- at 2:00 p.m. if the Warning is cancelled at or before 12:00 noon.</li> </ul> </li> <li>- There will be no trading for the day if the Warning is cancelled after 12:00 noon.</li> </ul>
(iii)	If a Black Rainstorm Warning is issued after the end of the Morning Session but before the commencement of the Afternoon Session (i.e. during the Extended Morning Session):	<p>The position will be as follows:</p> <ul style="list-style-type: none"> <li>- If there was trading in the Morning Session, trading in the Extended Morning Session, the Afternoon Session and the Closing Auction Session will take place as usual.</li> <li>- If there was no trading in the Morning Session and pursuant to Rule 501B, no trading in the Extended</li> </ul>

		Morning Session, there will also be no trading in the Afternoon Session and the Closing Auction Session.
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- (2) (a) The settlement arrangements for all trading days where the Hong Kong Observatory has hoisted or lowered a Typhoon Signal No. 8 or above and where Extreme Conditions have been announced or cancelled are set out in the HKSCC Rules. Please refer to the HKSCC Rules for details.
- (b) The settlement arrangements for all trading days where the Hong Kong Observatory has issued or cancelled a Black Rainstorm Warning are set out in the HKSCC Rules. Please refer to the HKSCC Rules for details.

### **Emergency**

572. If in the opinion of the Board or of the HKEX board the functioning of the System is, or is threatened or likely to be, severely and adversely affected by an emergency, including but not limited to fire, epidemic or other casualty or accident, typhoon, Extreme Conditions, rainstorm, earthquake, natural disaster, power failures, communications breakdowns, computer malfunction, war, riot, civil commotion, labour strike, terrorist attack and other similar events, the Board shall have full authority to take such action as the Board may in its absolute discretion deem necessary or appropriate to deal with such emergency or as directed by HKEX board. Under no circumstances shall the Exchange or HKEX be responsible for damages arising from any such emergency or any action taken by the Exchange in respect thereto.
573. If an emergency as stipulated in Rule 572 occurs, the Board may, in its absolute discretion, extend to compensate for the loss in trading time arising from the emergency or shorten the trading hours as specified in Rule 501 and the Extended Morning Session and the times for termination of the terminal activities as specified in Rule 502 and Rule 501E(1) and in case the trading hours are shortened, notwithstanding Rule 101 and unless otherwise determined by the Board in its absolute discretion, determine the nominal price last taken by the System as the closing price of an issue of securities on a trading day.

### **Settlement under CCASS**

574. (a) All the Rules in Chapter 5 shall apply to transactions settled through the CNS System except Rules 552A to 556, 558, 559, 560, 562, 563A, 563B and 571(2).
- (b) All the Rules in Chapter 5 shall apply to transactions settled through the Isolated Trades System except Rules 552A, 553, 555, 556, 558, 560, 562, 563A, 563B and 571(2).
575. [Repealed]

### **Options Exchange Participants**

576. Notwithstanding Rule 106, the following Rules will not apply to an Exchange Participant in relation to its Exchange Traded Options Business:-

Rules 501 to 511

Rules 514, 516 and 517  
Rules 517B, 518, 518A and 518B  
Rules 520 to 530  
Rules 544(1) and 544(2)  
Rules 552A to 556  
Rules 558 to 562  
Rules 563A and 563B  
Rule 567  
Rules 571 to 573  
Rule 574(b).

### **Pilot Program**

577. The Exchange may, in consultation with the Commission, admit securities into and remove securities from the Pilot Program.
578. The Exchange may suspend and resume trading of securities in the Pilot Program as determined by the Exchange from time to time.
579. [Repealed]
580. [Repealed]
581. [Repealed]

### **Dual Counter Market Makers**

- 581A. Exchange Participants acting in the capacity as Dual Counter Market Makers shall comply at all times with these Rules and the Regulations regarding Dual Counter Market Makers in the Nineteenth Schedule to these Rules and such other rules as may be prescribed by the Exchange from time to time.
- 581B. Notwithstanding Rule 581A, an Exchange Participant acting in the capacity as a Dual Counter Market Maker shall not be subject to the following Rules:

Rules 514 to 516  
Rule 517(4)  
Rules 520 to 521  
Rules 526(1) to 526(3A)  
Rule 527  
Rule 576

### **Dual Counter Security**

- 581C. The Exchange may, in consultation with the Commission, designate any security as a Dual Counter Security or remove any security from the designation as a Dual Counter Security. The Exchange may establish and maintain a list of Dual Counter Securities and publish such list on the HKEX website or by such other means as it considers appropriate.

### **Securities Market Makers**



582. Exchange Participants acting in the capacity as Securities Market Makers shall comply at all times with these Rules and the Regulations regarding Securities Market Makers in the Fourteenth Schedule to these Rules and as approved by the Exchange from time to time.

583. Notwithstanding Rule 582, an Exchange Participant acting in the capacity as a Securities Market Maker shall not be subject to the following Rules:

Rules 514 to 516

Rule 517(4)

Rules 520 to 521

Rules 526(1) to 526(3A)

Rule 527

Rule 576

### **Structured Products**

583A. A Structured Product such as a CBBC may contain a mandatory call feature which obliges the issuer to call the issue of Structured Product when certain mandatory call event as stipulated in the relevant listing document is triggered. In the case of a CBBC, any transaction in the CBBC which is concluded through the System or otherwise recorded in the System after the time of mandatory call event as notified by the issuer to or otherwise determined by the Exchange shall not be recognized by the Exchange unless otherwise determined by the Exchange.

### **Structured Product Liquidity Providers**

584. Exchange Participants acting in the capacity as Structured Product Liquidity Providers shall comply at all times with these Rules and the Regulations regarding Structured Product Liquidity Provider in the Eighteenth Schedule to these Rules and as approved by the Board from time to time.

585. Notwithstanding Rule 584, the following Rules will not apply to an Exchange Participant acting in the capacity as a Structured Product Liquidity Provider:

Rule 503

Rules 505A to 507A

Rules 514 to 516A

Rules 518, 518A and 518B

Rule 526(3) and 526(3A)

Rule 576

586. [Repealed]

587. [Repealed]

### **Market Making Security**

588. The Exchange may, in consultation with the Commission, designate any security as a Market Making Security or remove any security from the designation as a Market Making Security.

## **China Connect Exchange Participants**

589. An Exchange Participant acting in the capacity as a China Connect Exchange Participant shall comply at all times with these Rules, including but not limited to Chapter 14 of these Rules, as approved by the Exchange from time to time, the applicable China Connect Service Special Rules and the regulations, requirements, conditions, restrictions, arrangements and other stipulations that may be made, issued or published pursuant to Chapter 14 or the applicable China Connect Service Special Rules.

## **Exchange Participants trading through China Connect Exchange Participants**

590. (1) For the purpose of this Rule 590, unless the context otherwise requires, an Exchange Participant means an Exchange Participant, other than a China Connect Exchange Participant, who conducts or intends to conduct trading in China Connect Securities through the China Connect Service for the account of its clients through a China Connect Exchange Participant, whether directly or indirectly.
- (2) An Exchange Participant who wishes to buy or sell China Connect Securities for the account of its clients through the use of the China Connect Service shall, in respect of each China Connect Market, submit to the Exchange a declaration in the form and manner prescribed by the Exchange from time to time confirming such matters as the Exchange may require, including the Exchange Participant's awareness of and ability and undertaking to comply with applicable laws in respect of the trading of China Connect Securities. The Exchange may prescribe different declaration forms with respect to different China Connect Markets. From time to time, the Exchange may, but is not obliged to, publish on the HKEX website or by such other means as it considers appropriate a list of Exchange Participants who have submitted declarations to the Exchange under this Rule 590(2). An Exchange Participant shall not provide instructions to a China Connect Exchange Participant, whether directly or indirectly, to buy or sell China Connect Securities for the account of its clients before its name is included in such published list of Exchange Participants.
- (2A) An Exchange Participant whose name is included in the published list of Exchange Participants referred to in Rule 590(2) may at any time give the Exchange advance written notice to cease to conduct trading in China Connect Securities through the China Connect Service for the account of its clients through a China Connect Exchange Participant, whereupon the Exchange may remove its name from such list. Without prejudice to the foregoing, an Exchange Participant's name shall be removed from the list if:
- (a) the Exchange Participant has applied for registration as a China Connect Exchange Participant under Rule 1406(4), the Exchange has approved its application and has registered it as a China Connect Exchange Participant; or
- (b) the Exchange Participant ceases to carry on business.
- (3) Subject to Rule 590(2), any instruction provided by an Exchange Participant, whether directly to a China Connect Exchange Participant or indirectly through

another Exchange Participant, to sell or buy China Connect Securities shall be subject at all times to any provision in these Rules that applies to the use of the China Connect Service or the trading of China Connect Securities or in China Connect Markets, including Chapter 14 of these Rules (except Rules 1404-1406A and 1410-1414), the applicable China Connect Service Special Rules and any regulations, requirements, conditions, restrictions, arrangements and other stipulations that may be made, issued or published pursuant to Chapter 14 or the applicable China Connect Service Special Rules.

- (4) An Exchange Participant shall not provide instructions to a China Connect Exchange Participant or accept instructions from any client to sell or buy China Connect Securities through the China Connect Service which may be in breach of or not be in compliance with any provision in these Rules that applies to the use of the China Connect Service or the trading of China Connect Securities or in China Connect Markets, including Chapter 14 of these Rules, the applicable China Connect Service Special Rules and any regulations, requirements, conditions, restrictions, arrangements or other stipulations that may be made, issued or published pursuant to Chapter 14 or the applicable China Connect Service Special Rules.
- (5) By providing instructions to a China Connect Exchange Participant as referred to in Rule 590(3), the Exchange Participant agrees and represents to the Exchange that it shall abide by all applicable laws with regard to the trading of China Connect Securities on the relevant China Connect Market, including but not limited to any provision in these Rules that applies to the use of the China Connect Service or the trading of China Connect Securities or on China Connect Markets, Chapter 14 of these Rules (except Rules 1404-1406A and 1410-1414), the applicable China Connect Service Special Rules and any regulations, requirements, conditions, restrictions, arrangements and other stipulations that may be made, issued or published pursuant to Chapter 14 or the applicable China Connect Service Special Rules, in the same manner as if it were a China Connect Exchange Participant trading on the relevant China Connect Market through the use of the China Connect Service.
- (6) Where margin trading, stock borrowing and lending and/or short selling of China Connect Securities through the use of the China Connect Service is allowed in relation to a China Connect Market, and the applicable requirements are provided in these Rules and/or the applicable China Connect Service Special Rules, unless the Exchange otherwise determines, an Exchange Participant who wishes to engage in the relevant activity for the account of its clients through China Connect Exchange Participants or as otherwise permitted shall be subject to, and shall comply with, the relevant provisions in these Rules and/or the applicable China Connect Service Special Rules as if it were a China Connect Exchange Participant engaging in the relevant activity. Further, the Exchange Participant:
  - (a) shall not provide instructions to a China Connect Exchange Participant, or accept instructions from any client, to carry out any margin trading, stock borrowing and lending and/or short selling of China Connect Securities in breach of any provision, restriction or requirement in these Rules and/or the applicable China Connect Service Special Rules; and

- (b) shall abide by all applicable laws with regard to the conduct of margin trading, stock borrowing and lending and/or short selling with respect to the relevant China Connect Securities.

### **Stock borrowing and lending of China Connect Securities by Exchange Participants**

591. Where Exchange Participants other than China Connect Exchange Participants and Exchange Participants referred to in Rule 590(1) are allowed to conduct stock borrowing and lending of China Connect Securities in relation to a China Connect Market and the applicable requirements are provided in these Rules and/or the applicable China Connect Service Special Rules, Exchange Participants who wish to engage in stock borrowing and lending activity shall be subject to and shall comply with the relevant provisions in these Rules and the applicable China Connect Service Special Rules. Exchange Participants shall also abide by all applicable laws with regard to the conduct of stock borrowing and lending with respect to the relevant China Connect Securities.

### **SPAC Shares and SPAC Warrants**

592. Only professional investors are allowed to buy SPAC Shares and SPAC Warrants listed on the Main Board.

### **SPAC Exchange Participants**

593. (1) Only SPAC Exchange Participants may conduct trading of SPAC Shares and SPAC Warrants.
- (2) An Exchange Participant may apply to the Exchange for permission to be registered as a SPAC Exchange Participant. The application must be made in writing in such form as the Exchange may from time to time prescribe.
- (3) The Exchange may from time to time prescribe the eligibility criteria (including relevant controls and procedures) for Exchange Participants to be accepted for registration and to remain registered as SPAC Exchange Participants.
- (4) The Exchange's decision in respect of an application shall be final and conclusive, and approval may be given subject to such terms and conditions as the Exchange may consider appropriate. Where an application is rejected, the Exchange is not obliged to give any reasons for its decision.
- (5) The Exchange may publish a list of the SPAC Exchange Participants registered from time to time on the HKEX website or by such other means as it considers appropriate.
- (6) Each SPAC Exchange Participant shall implement appropriate and effective measures and take reasonable steps to ensure compliance with Rule 592, including but not limited to (a) not accepting any instruction to buy SPAC Shares or SPAC Warrants or inputting any buy order for SPAC Shares or SPAC Warrants for any direct client of the SPAC Exchange Participant unless it is reasonably satisfied that the client is a professional investor; and (b) where such client is (i) an intermediary (as defined in the Ordinance); or (ii) a person which carries on business outside Hong Kong in an activity in respect of which it is

regulated overseas and which, if carried on in Hong Kong, would constitute a regulated activity under the Ordinance, requiring such client to ensure that only professional investors are allowed to buy SPAC Shares and SPAC Warrants.

- (7) Without prejudice to the power of the Exchange to prescribe the eligibility criteria under Rule 593(3), if a SPAC Exchange Participant has failed to comply with the prescribed criteria or requirements under Rule 593(3) or Rule 593(6) or, in the opinion of the Exchange, any of the prescribed criteria or requirements are not properly followed by a SPAC Exchange Participant, the Exchange may by notice prohibit the SPAC Exchange Participant from conducting trading of SPAC Shares and SPAC Warrants or impose such restrictions or conditions as appropriate. Where any such restriction or condition is imposed, the Exchange has absolute discretion to take all such actions, steps or measures as it considers necessary or appropriate to ensure or facilitate compliance with such restriction or condition including, without limitation, the following:
- (a) requiring the SPAC Exchange Participant to take such actions or measures as may be necessary to remedy or rectify any non-compliance or to prevent any further non-compliance;
  - (b) in circumstances where Rule 593(3) or Rule 593(6) is or may be breached, issuing a compulsory order to the SPAC Exchange Participant requiring the SPAC Exchange Participant to unwind any settled position in the relevant SPAC Shares or SPAC Warrants within such period as the Exchange may specify; and
  - (c) commence disciplinary action against the SPAC Exchange Participant for its failure to comply with Rule 593(3) or Rule 593(6).

#### **Resignation as a SPAC Exchange Participant**

594. (1) An Exchange Participant may at any time give the Exchange written notice of its intention to resign as a SPAC Exchange Participant.
- (2) Where a notice under Rule 594(1) is given to the Exchange, the resignation of the SPAC Exchange Participant shall be subject to such conditions as the Exchange considers appropriate and shall take effect only after the Exchange has notified its approval in writing, the date on which the resignation is to take effect and any applicable conditions. Pending such approval and before the specified effective date, the SPAC Exchange Participant shall continue to be bound by all relevant provisions of Rule 593.