Explanatory Notes of Reporting Forms under Hong Kong Investor Identification Regime (HKIDR) (17 Mar 2023)

(Unless otherwise stated or the context otherwise requires, capitalized terms used in these Explanatory Notes shall have the same meanings as defined in the Rules of the Exchange.)

These Explanatory Notes are published by The Stock Exchange of Hong Kong Limited ("**Exchange**" or "**SEHK**") to provide guidance on how an Relevant Regulated Intermediary ("**RRI**"), which may or may not be an Exchange Participant ("**EP**"), should prepare the relevant reporting forms relating to the investor identification regime at trading level for the securities market in Hong Kong ("**HKIDR**"). If there are any conflicts between these Explanatory Notes, the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ("**Code of Conduct**"), the Frequently Asked Questions on HKIDR and any other guidance published by the Securities and Futures Commission ("**SFC**") relating to the HKIDR ("**SFC Guidance**"), the requirements as described in the Code of Conduct and the SFC Guidance shall prevail.

As a reminder, RRI should read these Explanatory Notes in conjunction with

1. SFC's Code of Conduct
2. SFC's FAQs on the HKIDR and OTCR
3. HKIDR Information Paper
4. FAQ on HKIDR File Submission and Order Tagging
5. HKIDR File Transfer Connectivity Guide
6. File Interface Specification (for BCAN-CID Mapping File and Reporting Forms)

Illustrative Examples

The below information will be applied in the following examples:

Transaction Date (T): 09 Mar 2021

EP1	**RRI A**
Firm ID: 1234 **CE number: ABC123** - BCAN for Client A: 1234567890 - Newly assigned BCAN for Client A: 9876543210 (applicable for example 2 only) - BCAN for Client B: 1234567800	**CE number: AAA123** - BCAN for Client E: 1231231230 - BCAN for Client F: 2342342340 - BCAN for Client G: 3453453450 - BCAN for Client H: 4564564560 - BCAN for Client I: 5675675670 - BCAN for Client J: 6786786780

Example 1: BCAN Error Report

a) *To report the executed trades tagged with incorrect BCAN only.*

On T-1: EP1 submits a BCAN-CID Mapping file with the relevant information of Client A.

On T: EP1 places a buy order of 10,000 shares in a security (Stock code: 2345) for Client A and tags with incorrect BCAN of ABC123.1111111111. The order is partially executed (6,000 shares is executed).

On T+1: EP1 identifies the error and submits the BCAN Error Report as soon as possible as below:

A	B	C	D	E	F	G	H	I	J
Item No. 編號	Reporting Date 申報日期 (YYYYMMDD)	Executing Exchange Participant Firm ID 執行交易的交易所參與者代號	Transaction Date 交易日期 (YYYYMMDD)	Stock Code 股票編號	Trade Quantity 股數	Trade Side (B/S) 買入 / 沽出	Original CE No. and BCAN input in OTP-C 輸入於OTP-C 的錯誤券商客戶編碼 (註冊機構的中央編號 + "." + 券商客戶編碼)	Revised CE No. and BCAN 更正的券商客戶編碼 (註冊機構的中央編號 + "." + 券商客戶編碼)	Trade ID (OTP-C) 交易編號 (OTP-C)
1	20210310	1234	20210309	2345	6000	B	ABC123.1111111111	ABC123.1234567890	102000000023745

b) To report the incorrect BCAN tagged for off-exchange trades.

If the EP tags an incorrect BCAN (buy/ sell side) in the off-exchange trade, the EP should submit the BCAN Error Report to report the correct BCAN as soon as possible.

<u>Example 2: BCAN Change Report</u>

The BCAN Change Report should be submitted on the day after the effective date (i.e. Changed Date) of the BCAN re-assignment. The effective date refers to the date that the newly assigned BCAN becomes effective (i.e. T) after it has been updated in BCAN-CID Mapping File. (i.e. T-1)

On T-1: EP1 submits the BCAN-CID Mapping file to update the BCAN for Client A from ABC123.1234567890 to ABC123.9876543210.

On T: the newly assigned BCAN for Client A becomes effective.

On T+1: EP1 submits the BCAN Change Report as below:

A	B	C	D	E	F	G
Item No. 編號	Reporting Date 申報日期 (YYYYMMDD)	CE No. of Reporting Regulated Intermediary 申報註冊機構的中央編號	Original CE No. and BCAN (CE No. + "." + BCAN) 原有的券商客戶編碼 (註冊機構的中央編號 + "." + 券商客戶編碼)	Revised CE No. and BCAN (CE No. + "." + BCAN) 更改後的券商客戶編碼 (註冊機構的中央編號 + "." + 券商客戶編碼)	Changed Date 生效日期 (YYYYMMDD)	Reason of Change 變更原因
1	20210310	ABC123	ABC123.1234567890	ABC123.9876543210	20210309	Reason of Change 1

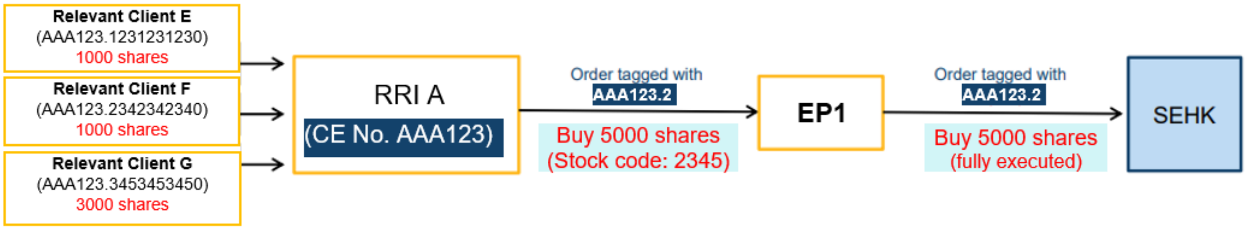
A BCAN for a particular client should normally remain unchanged. BCAN change should only happen in exceptional circumstances such as system upgrade leading to unavoidable BCAN change for clients.

<u>Example 3: Aggregated Transaction Report</u>

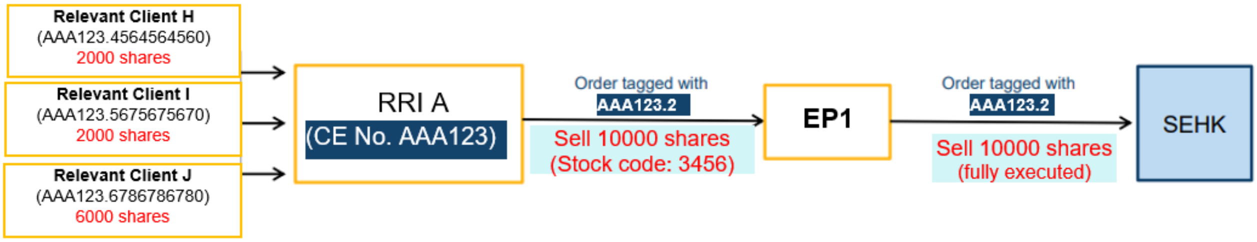
a) The RRI who submits (or arranges to submit) the aggregated order or carries out the aggregated off-exchange trade should submit or arrange to submit the Aggregated Transaction Report to report the underlying clients of the aggregated transaction.

On T: EP1 executes 2 aggregated trades in stock code 2345 (buy 5000 shares) and stock code 3456 (sell 10000 shares) respectively for RRI A and BCAN tags as AAA123.2:

Aggregated transaction 1 (Stock code: 2345):



Aggregated transaction 2 (Stock code: 3456):



On T+3: RRI A should submit the Aggregated Transaction Report to report its underlying clients of the aggregated transactions that executed on T as below:

A	B	C	D	E	F	G	H	I	J
Item No. 編號	Reporting Date 申報日期 (YYYYMMDD)	CE No. of Reporting Regulated Intermediary 申報註冊機構的中央編號	Executing Exchange Participant Firm ID 執行交易的交易所參與者代號	Transaction Date 交易日期 (YYYYMMDD)	Stock Code 股票編號	Price 價格	Quantity 股數	Side (B/S) 買入 / 沽出	Underlying Individual CE No. and BCAN 個別相關券商客戶編碼 (註冊機構的中央編號 + "." + 券商客戶編碼)
1	20210312	AAA123	1234	20210309	2345	0.246	1000	B	AAA123.1231231230
2	20210312	AAA123	1234	20210309	2345	0.246	1000	B	AAA123.2342342340
3	20210312	AAA123	1234	20210309	2345	0.246	3000	B	AAA123.3453453450
4	20210312	AAA123	1234	20210309	3456	1.2	2000	S	AAA123.4564564560
5	20210312	AAA123	1234	20210309	3456	1.2	2000	S	AAA123.5675675670
6	20210312	AAA123	1234	20210309	3456	1.2	6000	S	AAA123.6786786780

If an aggregated order has not been executed, Aggregated Transaction Report is not required to be submitted. If an aggregated order is partially executed, Aggregated Transaction Report is required only for the executed portion of an aggregated order.

Please refer to SFC's FAQs (Section I) for off-exchange trade which involves aggregation of trades on multiple levels of RRIs (i.e. further aggregation on an aggregated trade).

b) Submitted Aggregated Transaction Report with incorrect information

If RRI A submits an incorrect Underlying Individual CE No. and BCAN in Item 6, which has not been included in the BCAN-CID Mapping File on or before T, the whole group of submitted records[1] (i.e. Item 4, 5, 6) will not be processed.

A	B	C	D	E	F	G	H	I	J
Item No. 編號	Reporting Date 申報日期 (YYYYMMDD)	CE No. of Reporting Regulated Intermediary 申報註冊機構的中央編號	Executing Exchange Participant Firm ID 執行交易的交易所參與者代號	Transaction Date 交易日期 (YYYYMMDD)	Stock Code 股票編號	Price 價格	Quantity 股數	Side (B/S) 買入 / 沽出	Underlying Individual CE No. and BCAN 個別相關券商客戶編碼 (註冊機構的中央編號 + "." + 券商客戶編碼)
1	20210312	AAA123	1234	20210309	2345	0.246	1000	B	AAA123.1231231230
2	20210312	AAA123	1234	20210309	2345	0.246	1000	B	AAA123.2342342340
3	20210312	AAA123	1234	20210309	2345	0.246	3000	B	AAA123.3453453450
4	20210312	AAA123	1234	20210309	3456	1.2	2000	S	AAA123.4564564560
5	20210312	AAA123	1234	20210309	3456	1.2	2000	S	AAA123.5675675670
6	20210312	AAA123	1234	20210309	3456	1.2	6000	S	AAA123.6786786789

By 8am on the next weekday (i.e. T+4), RRI A will receive a result file which contains the processed result of submitted records as follows:

Result file		
Original Item no.	Result Code	Result Text
1	S0101	Successfully processed.
2	S0101	Successfully processed.
3	S0101	Successfully processed.
4	D2014	Verification is completed but will not be processed as other submitted records of same group (by CE No. of Reporting Regulated Intermediary; Stock Code; Transaction Date; side) have not yet passed the validation.
5	D2014	Verification is completed but will not be processed as other submitted records of same group (by CE No. of Reporting Regulated Intermediary; Stock Code; Transaction Date; side) have not yet passed the validation.
6	D2007	Invalid CE No. and BCAN.

RRI A should re-submit the Aggregated Transaction Report for the failed group of submitted records (i.e. Item 4, 5, 6) as soon as possible.

Example 4: BCAN Error and Aggregated Transaction Report

(To report the BCAN error for an aggregated trade)

On T: EP1 executes an aggregated trade in stock code 2345 (buy 5000 shares) for RRI A, whom aggregated the buy order from its Client E and Client F of 2000 shares and 3000 shares respectively. EP1 should tag the BCAN of this aggregated order as "AAA123.2", however, the BCAN is incorrectly tagged as "ABC123.1234567890".

(i) EP1 should first submit the BCAN Error Report as soon as possible after the error is identified to report the BCAN error for this aggregated trade as below:

[1] The submitted records are grouped by the same CE No. of Reporting Regulated Intermediary, Stock Code, Transaction Date, and side for validation purpose.

A	B	C	D	E	F	G	H	I	J
Item No. 編號	Reporting Date 申報日期 (YYYYMMDD)	Executing Exchange Participant Firm ID 執行交易的交易所參與者代號	Transaction Date 交易日期 (YYYYMMDD)	Stock Code 股票編號	Trade Quantity 股數	Trade Side (B/S) 買入 / 沽出	Original CE No. and BCAN input in OTP-C 輸入於OTP-C 的錯誤券商客戶編碼 (註冊機構的中央編號 + "." + 券商客戶編碼)	Revised CE No. and BCAN 更正的券商客戶編碼 (註冊機構的中央編號 + "." + 券商客戶編碼)	Trade ID (OTP-C) 交易編號 (OTP-C)
1	20210310	1234	20210309	2345	5000	B	ABC123.1234567890	AAA123.2	102000000023745

(ii) RRI A should then submit (or arrange to submit) the Aggregated Transaction Report by T+3 as below:

A	B	C	D	E	F	G	H	I	J
Item No. 編號	Reporting Date 申報日期 (YYYYMMDD)	CE No. of Reporting Regulated Intermediary 申報註冊機構的中央編號	Executing Exchange Participant Firm ID 執行交易的交易所參與者代號	Transaction Date 交易日期 (YYYYMMDD)	Stock Code 股票編號	Price 價格	Quantity 股數	Side (B/S) 買入 / 沽出	Underlying Individual CE No. and BCAN 個別相關券商客戶編碼 (註冊機構的中央編號 + "." + 券商客戶編碼)
1	20210312	AAA123	1234	20210309	2345	0.246	2000	B	AAA123.1231231230
2	20210312	AAA123	1234	20210309	2345	0.246	3000	B	AAA123.2342342340

If the BCAN error is identified after T+3, EP1 and RRI A should submit (or arrange to submit) the BCAN Error Report and Aggregated Transaction Report respectively as soon as possible.

<u>Example 5: Off-exchange Trade (Buy-side) BCAN Report</u>

(To rectify the incorrect information that submitted earlier)

On T: EP1 executes a manual trade (buy 5000 shares in stock code 2345 for Client A (BCAN: "ABC123.1234567890") but fails to insert the buy-side BCAN in OTP-C before market close.

On T+1: EP1 submits the Off-exchange Trade (Buy-side) BCAN Report but the BCAN is incorrectly filled as "ABC123.1234567899".

EP1 should re-submit the same reporting form to correct any errors that submitted earlier. In this case, EP1 should re-submit the Off-exchange Trade (Buy-side) BCAN Report to provide the correct BCAN for Client A as soon as possible.

These Explanatory Notes are published in English together with Chinese translation of the same. If there is any discrepancy between the Chinese translation and the English version, the English version shall prevail.