

Consultation Paper

Proposal on Severe Weather Trading of Hong Kong Securities and Derivatives Markets

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How to Respond to this Consultation Paper

Hong Kong Exchanges and Clearing Limited (“HKEX”) invites written comments on the changes proposed in this paper, or comments on related matters that might have an impact upon the changes proposed in this paper, on or before 26 January 2024.

To submit written comments please complete the questionnaire that can be accessed via the link or QR code below.

Link:

https://surveys.hkex.com.hk/jfe/form/SV_6QpXT0N72eoXfKe

QR Code:



Our submission enquiry number is (852) 2840 3844.

Respondents are reminded that HKEX will publish responses on a named basis in the intended consultation conclusions. If you do not wish your name to be disclosed to members of the public, please state so when responding to this paper. Our policy on handling personal data is set out in Appendix V.

Submissions received by the deadline will be taken into account before HKEX decides upon any appropriate further action. HKEX will develop a consultation conclusions paper which will be published in due course.

DISCLAIMER

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DEFINITIONS

Term	Definition
“Autocredit”	Autocredit bulk settlement runs
“CCASS”	Central Clearing and Settlement System
“CCCP(s)”	China Connect Clearing Participant(s)
“CCMS”	Common Collateral Management System
“CCP”	Central counterparty
“CHATS”	Clearing House Automated Transfer System
“CP(s)”	Clearing Participant(s) of HKSCC, HKCC and SEOCH (where applicable)
“DCASS”	Derivatives Clearing and Settlement System
“Derivatives Holiday Trading”	Trading and clearing for selected derivatives products on Hong Kong public holidays
“Designated/Settlement Banks”	Designated Banks and Settlement Banks of relevant clearing houses of HKEX
“EP(s)”	Exchange Participant(s) of SEHK and HKFE (where applicable)
“ETF(s)”	Exchange Traded Funds
“ETP(s)”	Exchange Traded Products
“Ex-date”	Ex-entitlement date
“F&O”	Futures and Options
“FPS”	Faster Payment System
“GEM Rules”	Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited
“GF”	Guarantee Fund
“HKAB”	The Hong Kong Association of Banks
“HKCC”	HKFE Clearing Corporation Limited
“HKEX”	Hong Kong Exchanges and Clearing Limited
“HKFE”	Hong Kong Futures Exchange Limited
“HKICL”	Hong Kong Interbank Clearing Limited
“HKSCC”	Hong Kong Securities Clearing Company Limited
“IFC”	International financial centre

Term	Definition
“IM”	Initial Margin
“Listing Rules”	The Main Board Listing Rules and the GEM Rules
“LOP”	Large Open Position
“Main Board Listing Rules” or “MB Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MMDH”	Mainland Market Data Hub
“MSCD”	Mainland Security Deposit
“MSTD”	Mainland Settlement Deposit
“OMD-C”	HKEX Orion Market Data Platform – Securities Market
“OMD-CC”	HKEX Orion Market Data Platform – China Connect (Securities)
“OMD-D”	HKEX Orion Market Data Platform – Derivatives Market
“Participant(s)”	EP(s) and CP(s) are collectively referred to as Participant(s)
“PD(s)”	ETF Participating Dealer(s)
“RF”	Reserve Fund
“SEHK”	The Stock Exchange of Hong Kong Limited
“SEOCH”	The SEHK Options Clearing House Limited
“SFC”	Securities and Futures Commission
“SFO”	Securities and Futures Ordinance
“SPSA”	Special Segregated Account
“SW”	Severe weather
“SWIFT”	Society for Worldwide Interbank Financial Telecommunication
“SWT Day”	Severe Weather Trading Day
“SWT Task Force”	Severe Weather Trading Task Force
“SWT”	Severe Weather Trading
“VA”	Variation Adjustment

EXECUTIVE SUMMARY

1. This consultation paper solicits public views on Severe Weather Trading (“SWT”) mentioned in the 2023 Policy Address by the Chief Executive and in the 2023/24 Budget Speech by the Financial Secretary of Hong Kong. The proposal for SWT in this paper aims to maintain normal operations of the Hong Kong securities and derivatives markets during severe weather (“SW”) conditions.
2. SW conditions, including tropical cyclones and severe rainstorms, affect Hong Kong several times each year and, since 2018, have forced 11 market closures.
3. Hong Kong’s status as a leading international financial centre has grown with increased participation by international and Mainland investors. There is a pressing need to consider a change to existing severe weather arrangements in Hong Kong to enhance Hong Kong’s competitiveness as a trading and risk management venue and international financial centre.
4. Many local, international and Mainland investors have strongly requested that Hong Kong market trading be allowed to continue under SW because SW-induced market closures expose Hong Kong’s diverse investor base to market risks and most of the other major markets, including those in Mainland China, can maintain market trading under SW.
5. However, changes to SW measures require considerations that extend beyond trading arrangements, with personnel and investor safety remaining a key focus; this effort requires collaboration and support from a broad group of stakeholders, including the HKSAR Government, financial regulators, financial institutions and market participants.
6. With the support of the HKSAR Government, HKEX, along with the Securities and Futures Commission and the Hong Kong Monetary Authority, formed a Severe Weather Trading Task Force (“SWT Task Force”) to consider a wide range of viewpoints and practicalities around the continuation of operations in the securities and derivatives markets and the wider financial system during SW conditions.
7. HKEX has considered various approaches and alternatives to the operating model with the following key principles in mind: first, ensuring personnel and investor safety; second, maximising investor benefit; third, maintaining normal operations to the highest extent possible and, fourth, ensuring that participants fulfil risk obligations corresponding to open positions and unsettled stock positions to comply and align with both local and international regulatory requirements.
8. This proposal advocates removing existing SW arrangements so that trading, clearing and settlement services and operations can continue in both the securities and derivatives markets.
9. The consultation period for this paper will be eight weeks and will close on 26 January 2024. HKEX will review comments received and, in consultation with the HKSAR Government, the SFC and the HKMA, propose a way forward in the consultation conclusions.

CHAPTER 1: SEVERE WEATHER TRADING: BACKGROUND AND RATIONALE

10. This consultation paper addresses the issue of Severe Weather Trading (“SWT”) mentioned in the 2023 Policy Address by the Chief Executive and in the 2023/24 Budget Speech by the Financial Secretary of Hong Kong. The proposal for SWT in this paper aims to maintain normal operations of the Hong Kong securities and derivatives markets during severe weather (“SW”) conditions.
11. SW conditions, including tropical cyclones and severe rainstorms, affect Hong Kong several times each year. These weather events vary in severity, but during the more severe instances, government services are suspended and schools, offices, businesses and financial markets are closed. HKEX has a well-established set of securities and derivatives market trading arrangements in place for such scenarios. More specifically, an issuance of Typhoon Signal No. 8 or above or Black Rainstorm Warning by the Hong Kong Observatory, or an announcement of Extreme Conditions made by the HKSAR Government¹, under which markets will be suspended or resumed in accordance with pre-defined rules and practices.
12. While Hong Kong’s SW arrangements have remained largely unchanged over the years, Hong Kong has grown in prominence as an international financial centre (“IFC”) and its financial markets have evolved with increased participation by international and Mainland investors. Key developments include the launch of the Stock Connect mutual market access programme in 2014 and ongoing enhancements to Hong Kong’s listings market that have brought an influx of initial public offerings by Chinese and international firms. While the overall market capitalisation of the securities market has grown five-fold, the proportion of mainland-incorporated and overseas-incorporated companies in HKEX’s listed universe has grown to 77 per cent of the total market capitalisation, up from around 36 per cent in the early 2000s.
13. Likewise, in the derivatives market, HKEX has substantially increased the number of regional and international futures and options (“F&O”) products, supporting the investment and risk management needs of Hong Kong’s increasingly diverse pool of market participants. In 2020, HKEX introduced a suite of F&O products with international underlying that track MSCI indexes, and the size of that suite has increased to 39 products as of October 2023.
14. Hong Kong is a diverse and international marketplace. In 2020, international investors contributed an estimated 41% of trading turnover, and the daily turnover of Northbound Stock Connect, which consists primarily of international investors, is now catching up with the size of Hong Kong’s securities market. This diversifying investor landscape and range of international risk management products have helped build Hong Kong’s position as an IFC. However, to compete as an IFC, evolve its markets, and increase prosperity, Hong Kong needs to maintain a continuous trading environment in the financial markets and the wider financial system, unhindered by local public holidays² and SW conditions.
15. Since 2018, SW conditions have forced market closures on 11 occasions. At the time of

¹ These arrangements are stated in the rules and operational procedures of the respective exchanges and clearing houses. Please refer to https://www.hkex.com.hk/Services/Trading-hours-and-Severe-Weather-Arrangements/Severe-Weather-Arrangements/Trading?sc_lang=en for an overview.

² HKEX has introduced Derivatives Holiday Trading for selected products to enable risk management without being bound by Hong Kong public holidays.

writing, Hong Kong's securities and derivatives markets have been impacted by SW a total of four times in 2023, including three full-day market suspensions. During such trading suspensions, investors are unable to manage their portfolios and are exposed to potential market risks, especially in scenarios where the markets of their underlying positions are open. Such risks may be exacerbated at times of heightened market volatility and / or major index rebalancing events. As an example, the last SW event in September 2023 coincided with the rebalancing of the STAR 50 index of Shanghai market, leading to slippage costs for those brokers and investors trading via Stock Connect. As such, many local, international and Mainland investors have strongly requested that Hong Kong market trading be allowed to continue during SW conditions.

16. Likewise, in the derivatives market, there is a need to manage the exposure of F&O contracts of non-local underlying assets, especially on the last trading day or expiry day of a contract, so that the final or official settlement price can still be determined as scheduled.
17. It is worth noting that most major global markets, including those in Mainland China, can maintain market trading during SW conditions. Market closures due to SW or natural disasters for global exchanges are mostly determined on a case-by-case basis. To maintain a wide investor base, develop a more diversified product suite, and promote our securities and derivatives markets to more overseas markets and capital sources, the demand and importance for facilitating market participants to trade as usual during typhoons or rainstorms will continue to grow.
18. To enhance Hong Kong's competitiveness as a best-in-class trading and risk management venue, and leading IFC, there is a pressing need to consider a change to the existing SW arrangements in Hong Kong. The main purpose of the initiative is to facilitate continued trading by global investors of Hong Kong stocks and derivatives as well as Mainland A-shares through Northbound Trading of Stock Connect, and to adjust their investment and risk management strategies in response to changing market and company-specific fundamentals, without being affected by SW in Hong Kong. The arrangements will further consolidate Hong Kong's role as the two-way gateway and bridge for international and Mainland investors and capital, hence enhancing the attractiveness of Hong Kong's market to domestic and foreign investors. We believe that promoting the operation of the securities and derivatives markets during SW could address global investors' aspirations, and offer them greater convenience and price certainty. At the same time, the initiative could foster continuous modernisation of local financial market infrastructure and upgrade the operations of local financial services sector, respond to the ongoing trend of developing a paperless and digitalised securities market in Hong Kong, and align with global market practices, thereby further consolidating Hong Kong's status as one of the leading international fundraising and trading platforms. On the other hand, such changes require considerations that extend beyond trading arrangements, with personnel and investor safety remaining a key focus; this effort requires collaboration and support from a broad group of stakeholders, including the HKSAR Government, financial regulators, financial institutions and market participants.
19. With the support of the HKSAR Government, HKEX, along with the Securities and Futures Commission ("SFC") and the Hong Kong Monetary Authority ("HKMA"), formed a Severe Weather Trading Task Force ("SWT Task Force") to consider a wide range of viewpoints and practicalities around the continuation of operations in the securities and derivatives markets and the wider financial system during SW, in order to build consensus and help formulate a proposal. A number of industry associations and financial market infrastructure providers, including Hong Kong Interbank Clearing Limited ("HKICL"), the Hong Kong Association of Banks ("HKAB"), and the Hong Kong Securities Association, are part of the SWT Task Force.

20. The SWT Task Force was consulted on matters including an operational model for trading and settlement during SW, related arrangements such as availability of funding, as well as considerations to ensure personnel and investor safety. Other key issues faced by stakeholders were also discussed by the SWT Task Force.
21. Members of the SWT Task Force agreed on the need to enhance market competitiveness by allowing trading and relevant banking services to continue during SW. SWT Task Force discussion helped comprehend practical circumstances faced by relevant sectors and co-ordinate different operational needs.
22. Supported by remote working and developments, such as online fund transfers, Hong Kong's markets proved robust and resilient during the pandemic, paving the way for further enhancements to market trading operations during SW. In addition, HKEX has made enhancements to its infrastructure to reduce the need for physical access to offices by Participants' (Exchange Participants and Clearing Participants are collectively referred to as "Participants") employees, a recent example being the change of authentication arrangement of Central Clearing and Settlement System ("CCASS") terminal access from smartcard to two-factor authentication for their clearing and settlement operations.
23. As the majority of investors now trade electronically, market activities would unlikely be impacted materially in the event of an absence of physical trading service outlets offered by banks or brokerages during SW. To prepare for SWT, market participants need to make adequate preparations to ensure remote operations as well as the ability to transfer funds without requiring physical services. SWT Task Force members particularly emphasised the importance of providing continued technological support to all market participants when making the transition to SWT.
24. This consultation paper is structured as follows: Chapter 2 sets out the proposed operational arrangements for SWT; Chapter 3 details the wider arrangements and infrastructural changes necessary to enable SWT; Chapter 4 considers the implications for listing applicants and listed issuers in the securities market; Chapter 5 addresses possible market concerns on the proposed operational arrangements for SWT; and, finally, Chapter 6 covers the next steps following the consultation paper issuance. Comments are invited on each aspect of the arrangements.
25. This consultation paper solicits public views on the proposed operational arrangements, and other related adjustments, to allow continuation of market operations and functioning of the wider financial system during SW.

CHAPTER 2: PROPOSED OPERATIONAL ARRANGEMENTS FOR SEVERE WEATHER TRADING

26. This chapter sets out the proposed operational arrangements for SWT with regard to trading, clearing, risk management, market data, large open position reporting, as well as new listings and new product arrangements, for market comments.

SCOPE

27. SW, in this consultation, refers to the scenario where Typhoon Signal No. 8 or above is hoisted, a Black Rainstorm Warning is issued by the HK Observatory or Extreme Conditions is announced by the HKSAR Government. Should SW fall on any day from Monday to Friday³ except a Hong Kong public holiday⁴, it would be considered a Severe Weather Trading Day (“SWT Day”). For the avoidance of doubt, SWT Day is consistently used throughout the consultation paper to specify the corresponding arrangements under SW. For details, please refer to the trading calendar of the respective markets.

28. This proposal advocates removing existing SW arrangements so that trading, clearing and settlement services and operations on a SWT Day can continue in both the securities (including Southbound Trading if it is planned to be a Southbound trading day) and derivatives markets on all available products under the respective markets. Northbound Trading will also continue should SW occur on a Northbound trading day.

29. The scope of this proposal includes trading, clearing, risk management and listing arrangements under the markets outlined above. For the avoidance of doubt, the arrangements offered by OTC Clearing Hong Kong Limited is not in scope of this consultation paper⁵.

PRINCIPLES

30. HKEX has considered various approaches and alternatives to the operating model with the following key principles in mind:

- 30.1. First, **personnel and investor safety** is a paramount consideration at the core of this proposal, and it is envisaged that all operations are to be performed in a fully digital and remote manner. The provision of services via physical outlets is strongly discouraged and will not be provided.

³ Including the after-hours session on Friday (until Saturday 3:00 am). For the avoidance of doubt, there is Derivatives Holiday Trading on public holidays (except the New Year’s Day holiday), but there will be no trading for the Hong Kong securities market or the stock options market operated by SEHK.

⁴ In the context of the derivatives market operated by HKFE, should SW fall on a Hong Kong public holiday (except the New Year’s Day holiday), it will be considered as a SWT Day for the derivatives market. Selected futures and options contracts, namely Holiday Trading Products, can be traded on HKFE on Hong Kong public holidays (except the New Year’s Day holiday).

⁵ OTC Clearing Hong Kong Limited’s clearing and settlement services will continue to operate under SW as per current arrangement.

- 30.2. Second, to maximise **investor benefit**, it is preferable to have full-fledged, normal functioning of the securities and derivatives markets **including Northbound and Southbound Trading of Stock Connect**, to provide investors with trading flexibility and risk management capability of the interlinked markets.
- 30.3. Third, to **reduce potential system changes and to avoid additional credit and operational risks** for market participants for allowing necessary arrangements on a SWT Day, the proposal should ensure that normal operations are maintained to the highest extent possible.
- 30.4. Lastly, in order to **comply and align with both local and international regulatory requirements** to maintain market stability and financial safety, Participants are required to fulfil risk obligations corresponding to open positions and unsettled stock positions. Accordingly, settlement of securities and derivatives will proceed as usual. HKEX has agreed with the banking industry that relevant banking services will be made available to facilitate trading and clearing activities, and to facilitate money transfers. Please refer to Chapter 3 for detailed arrangements on banking services on a SWT Day.
31. It should be noted that the proposal discussed in this paper will not affect HKEX's existing power to suspend all or part of its trading, clearing and settlement services in the securities and derivatives markets in certain events or circumstances which affect the functioning, operation or the availability of its systems or facilities.

PROPOSED TRADING, CLEARING, RISK MANAGEMENT, MARKET DATA AND LARGE OPEN POSITION REPORTING ARRANGEMENTS

32. A core and fundamental part of this initiative is to enable trading to take place for the purpose of allowing investors to properly manage market risk. Therefore, the sections below are structured with reference to trading, clearing, risk management and market data arrangements, followed by proposed arrangements for new listings.
33. The proposed arrangements are set out below in three separate sections, namely the Hong Kong securities market, Northbound Trading under Stock Connect and Hong Kong derivatives market, respectively.

Hong Kong Securities Market

Trading Arrangements

34. Trading arrangements on a SWT Day, such as those relating to trading hours, trading mechanisms⁶, liquidity provisions, requirements for manual trade reporting, stock suspensions or resumptions due to information dissemination, will be the same as a regular trading day.
35. Stamp duty collection procedures will remain the same for any chargeable stamp duty which is collected by The Stock Exchange of Hong Kong Limited ("SEHK")⁷.

⁶ Including the Volatility Control Mechanism in the securities market

⁷ For the avoidance of doubt, for any chargeable stamp duty which are not collected by the SEHK and which shall

36. As with trading on a SWT Day, where a stock is subject to a corporate action entitlement, and the scheduled ex-entitlement date (also known as ex-date) falls on a SWT Day, the previous closing price of the stock will continue to be adjusted (if applicable) on the ex-date and used to determine the Pre-opening Session price limit of the stock on the SWT Day. Upon the implementation of SWT, the ex-date will not be postponed, in order to facilitate an orderly, informed and fair market. For detailed arrangements relating to corporate actions, please refer to the Clearing Arrangements section below.
37. Arrangements for Southbound Trading on a SWT Day will be the same as if there is no SW, that is, it will be a Southbound trading day.

Clearing Arrangements

38. Clearing, settlement and collateral management services arrangements, respective service schedules in CCASS and custodian services⁸ will remain the same as on a regular trading and settlement day.
39. **CCASS Depository services:** The physical outlets of Hong Kong Securities Clearing Company Limited (“HKSCC”) and share registrars are expected to be closed under SW. The deposit and withdrawal of physical securities by Participants will not be available under SW.

As the last registration date of corporate actions will continue to be postponed if it falls on a SWT Day⁹, Participants who wish to lodge and complete the deposit of physical certificates on the postponed last registration date should submit the completed Stock Deposit Forms, the relevant certificates and accompanying documents to the CCASS Depository counter by 12:00 noon on the postponed last registration date as per existing arrangement.

40. **Buy-in exemption due to unavailability of physical certificate deposit services:** The physical outlets of HKSCC and share registrars are expected to be closed under SW. As such, CCASS Participants who have sufficient securities outside of CCASS may not be able to physically deposit the securities for settlement purpose to cover their short positions. HKSCC may grant a buy-in exemption for such a scenario.
41. **Corporate actions:** Given deposit and withdrawal of physical securities will not be available under SW (as described in paragraph 39), in order to ensure that the eligibility of entitlement or participation in corporate action of physical certificate holders will not be impacted by SW, the last registration date should continue to be postponed if it falls on a SWT Day. This allows physical certificate holders to complete their deposits immediately after SW.

- 41.1. The determination of eligibility of entitlement or participation in corporate actions in CCASS when the last registration date falls on a SWT Day is as follows:

be paid directly to the Collector of Stamp Revenue (e.g. transactions that constitutes jobbing business), the time for stamping shall include the next following day (not being a public holiday or a gale warning day or black rainstorm warning day) if the T+2 day is a SWT Day, whereas the day on which the sale or purchase is effected (T-day) will be excluded in the computation of time for stamping, no matter whether it is a SWT Day.

⁸ Custodian services include the input of instructions for settlement of securities transactions in CCASS by Custodian Participants.

⁹ Refer to Practice Note 8 to Main Board Rules, and GEM Rules 17.79, 17.80 and Table 1 set out at the end of Chapter 17 of GEM Rules for the relevant arrangements under SW

- 41.1.1. For corporate actions with ex-entitlement arrangements, such as cash dividend, stock dividend, bonus issue, and rights issue: For CCASS Participants whose securities have already been deposited into CCASS, HKSCC will determine the eligibility of entitlements with reference to their securities holdings in CCASS as at the settlement day immediately after the ex-date¹⁰, which could be before the postponed last registration date¹¹. Subsequently, if CCASS Participants holding physical certificates can lodge and complete the deposit or withdrawal with CCASS by the specified time on the postponed last registration date, the abovementioned entitlements in CCASS will be adjusted accordingly, if applicable, to reflect the respective deposit and withdrawal.
- 41.1.2. For corporate actions subject to last registration date but without ex-entitlement arrangements, such as voting: Unless otherwise specified, HKSCC will follow the postponed last registration date to determine the eligibility of CCASS Participants to participate in the corporate action where applicable and CCASS Participants who can lodge and complete the deposit of physical certificates with CCASS by the specified time on the postponed last registration date will also be eligible to participate in the corporate action.
- 41.2. Should SW occur on a key date of a corporate action event other than an ex-date or the last registration date, the impact may vary subject to the type of corporate action. For example, if a SWT Day falls on the payment date of a cash dividend, subject to the issuer's availability to provide good funds to HKSCC, the dividend payment may either be distributed on the SWT Day or as soon as practicable when SW is cancelled, in accordance with HKSCC Operational Procedures. Please refer to Appendix II for more details and examples of the relevant arrangements of other common examples of corporate actions.
- 41.3. Listed issuers may also extend the instruction cut-off time or date for corporate actions in case of SW. HKSCC will monitor such changes and update the corresponding CCASS announcement accordingly. In any event, CCASS Participants will be allowed to enquire, input or update all existing corporate action instructions on a SWT Day in the same manner as a regular settlement day.
42. **Exchange Traded Funds ("ETF") primary market:** Subject to feedback from ETF managers and relevant stakeholders, the process of creation and redemption of ETF units in the primary market is expected to remain the same as a regular trading and settlement day.
43. **Cash settlement of Structured Products:** In general, there will be no impact to the payment of cash settlement amounts on a SWT Day arising from normal expiry or a mandatory call event. HKSCC will distribute such cash settlement amounts to Participants on the same day.

¹⁰ Ex-date here refers to First Ex-Date in Practice Note 8 to Main Board Rules

¹¹ As trade settlement will proceed as normal on a SWT Day

Risk Management Arrangements

44. The existing clearing risk management arrangements applicable on a regular trading day, including daily mark-to-market, margin and Guarantee Fund (“GF”) contributions¹², collateral policy and default management, will continue to apply on a SWT Day. Clearing Participants (“CPs”) must adhere to the settlement timelines stipulated by HKSCC. Failure to do so constitutes an event of default and HKSCC may take applicable default actions against relevant CPs.
45. In case clients of CPs fail to fulfil their payment obligations to CPs under any circumstances, such as closure of clients’ banks, CPs should have proper risk management and robust funding arrangements in place and arrange sufficient funding to meet their obligations to HKSCC in a timely manner.

Market Data Arrangements

46. The operation and data dissemination of HKEX Orion Market Data Platform – Securities Market (“OMD-C”), including Mainland Market Data Hub (“MMDH”) and publication of securities market statistical reports and securities market historical data products on a SWT Day will be the same as a regular trading day.
47. Index compilers, such as Hang Seng Indexes Company Limited, will continue providing index calculation during a SWT Day and the real time index data will be disseminated through the OMD Index Feed.

Consultation Questions

Q1: Do you have any comments or concerns on the proposed arrangements for the Hong Kong securities market?

Northbound Trading under Stock Connect

Trading Arrangements

48. The maintenance of the stock eligibility list of China Connect Securities and Special China Connect Securities and the trading arrangements for Northbound Trading under Stock Connect will be the same as if it is a regular Northbound trading day.

Clearing Arrangements

49. Clearing, settlement and collateral management services arrangements and respective service schedules in CCASS will remain the same as on a regular Northbound trading and settlement day.
50. Custodian services will remain the same as on a regular Northbound trading and settlement day¹³.

¹² Include Initial Margin (“IM”), marks as well as GF contributions. Details can be found in Appendix III.

¹³ Custodian Participants and General Clearing Participants which are not Exchange Participants will still need to arrange settlement instructions with the corresponding CCCPs to transfer the China Connect Securities from the relevant Special Segregated Account (“SPSAs”) to the relevant CCCPs for CCASS Continuous Net Settlement (“CNS”).

Risk Management Arrangements

51. The existing clearing risk management arrangements applicable on a regular trading day, such as daily mark-to-market, margin and GF contributions¹⁴, collateral policy, and default management process, will continue to apply on a SWT Day. China Connect Clearing Participants (“CCCPs”) must adhere to the settlement timelines stipulated by HKSCC. Failure to do so constitutes an event of default and HKSCC may take applicable default actions against relevant CCCPs.
52. In case clients of CCCPs fail to fulfil their payment obligations to CCCPs under any circumstances, such as closure of clients’ banks, CCCPs should have proper risk management and robust funding arrangements in place and arrange sufficient funding to meet obligations to HKSCC in a timely manner.

Market Data Arrangements

53. The operation and data dissemination of HKEX Orion Market Data Platform – China Connect (Securities) (“OMD-CC”) and publication of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect historical data products on a SWT Day will be the same as a regular trading day.

Consultation Questions

Q2: Do you have any comments or concerns on the proposed arrangements for Northbound Trading under Stock Connect?

Hong Kong Derivatives Market

Trading Arrangements

54. Trading arrangements such as product offerings, trading hours, market protection mechanisms¹⁵, liquidity provisions, block trade arrangements, error trade eligibility and corresponding trade cancellation arrangements will be the same as a regular trading day. For single stock F&O, trading suspensions and resumptions with reference to the underlying shares, capital adjustment due to corporate actions and exercise and assignment will be the same as a regular trading day.
55. **Final Settlement Price and Official Settlement Price:** The Final Settlement Price and Official Settlement Price for all F&O contracts can be determined on a SWT Day with the exception of one-month and three-month HIBOR futures contracts. Should a SWT Day fall on the last trading day of the one-month and three-month futures, the final settlement price will be based on the HIBOR rate on the trading day following SW.

Clearing Arrangements

56. Clearing, settlement and collateral management services arrangements and respective service schedules in Derivatives Clearing and Settlement System (“DCASS”) & Common

¹⁴ Include Mainland Settlement Deposit (“MSTD”), Mainland Security Deposit (“MSCD”) as well as GF contributions. Details can be found in Appendix III.

¹⁵ Such as Volatility Control Mechanism, Maximum Fluctuation Price Band, Price Limit Up/Down Mechanism and Dynamic Price Banding

Collateral Management System (“CCMS”) will remain the same as a regular trading day.

Risk Management Arrangements

57. The existing clearing risk management arrangements applicable on a regular trading day, such as daily mark-to-market, margin and Reserve Fund (“RF”) contributions¹⁶, collateral policy and default management process, will continue to apply on a SWT Day. CPs must adhere to the settlement timelines stipulated by HKFE Clearing Corporation Limited (“HKCC”) and The SEHK Options Clearing House Limited (“SEOCH”). Failure to do so constitutes an event of default and HKCC and SEOCH may take applicable default actions against relevant CPs.
58. In case clients of CPs fail to fulfil their payment obligations to CPs under any circumstances such as closure of clients’ banks, CPs should have proper risk management and robust funding arrangements in place and arrange sufficient funding to meet obligations to HKCC and SEOCH in a timely manner.

Market Data Arrangements

59. The operation and data dissemination of HKEX Orion Market Data Platform – Derivatives Market (“OMD-D”) and publication of derivatives market statistical reports and derivatives market historical data products on a SWT Day will be the same as a regular trading day.

Large Open Position (“LOP”) Reporting Arrangements

60. To maintain the LOP monitoring capability during a SWT Day, existing reporting arrangements will be applied¹⁷ and Participants will be required to file LOP report(s) with Hong Kong Futures Exchange Limited (“HKFE”) or SEHK for the reportable positions on a SWT Day if it is a trading day for HKFE or SEHK products.
61. In order to ensure the effective implementation of the LOP reporting arrangements during a SWT Day, Participants are reminded to observe the notification requirements stipulated in HKFE Rule 633(c) and 5.10 of the Operational Trading Procedures for Options Trading Exchange Participants of SEHK pertaining to informing their clients of the reporting requirements and the responsibilities of reporting. Participants are required to communicate to their clients on such requirements to ensure their compliance at all times including SWT Days.

Holiday Trading

62. If SW falls on a Hong Kong public holiday on Monday to Friday¹⁸ which is a holiday trading day for selected derivatives products, existing Derivatives Holiday Trading arrangements, including trading, clearing, risk management, market data and LOP arrangements, will

¹⁶ Include Initial Margin, Variation Margin (Variation Adjustment (“VA”) for HKCC and Mark-to-market (“MTM”) margin for SEOCH) and additional margins as well as RF contributions. CPs are required to fulfil all payment obligations within the existing prescribed timelines. Details can be found in Appendix III. Apart from existing practice, HKCC and SEOCH are proposing to introduce 3 scheduled intra-day calls on each trading day (pending regulatory approval). Should the proposed scheduled intra-day calls be implemented in the future, such arrangement would be applied to both regular trading day (including holiday trading day) and SWT Day.

¹⁷ Pursuant to the existing reporting requirements under Cap. 571Y Securities and Futures (Contracts Limits and Reportable Positions) Rules under Securities and Futures Ordinance (“SFO”), Rule 628 of Rules, Regulations and Procedures of the Futures Exchange and Rule 439 of the Options Trading Rules of the Stock Exchange (“OTR”), a Participant who holds or controls open positions in any HKFE or SEHK products in excess of the prescribed reporting levels is obligated to file LOP report(s) with HKFE or SEHK for the reportable positions no later than 12:00 noon on the next Business Day after the positions are opened or accumulated.

¹⁸ Except the New Year’s Day holiday

apply¹⁹.

Consultation Questions

Q3: Do you have any comments or concerns on the proposed arrangements for Hong Kong derivatives market?

PROPOSED ARRANGEMENTS FOR NEW LISTINGS AND NEW PRODUCTS

New Listings of Equity Securities, Debt Securities and Interests in Authorised Collective Investment Schemes

63. As the securities market will be open for trading on a SWT Day, all participants, including listing applicants seeking to list their securities or interests in authorised collective investment schemes on that day, would have equal opportunities to access the market to the extent possible.
64. We propose that the listing and first-day of trading of new equity securities, debt securities and interests in authorised collective investment schemes proceed as usual on a SWT Day.
65. The applicants should proceed with their listing plans as scheduled and adhere to the relevant time limits prescribed under the Listing Rules and, where applicable, other guidance from SEHK. In particular, applicants should factor in potential weather-related challenges when coordinating their listing timetable, and accurately reflect the relevant arrangements and/or agreements in their listing documents (e.g. the prospectus or the underwriting agreements for IPO applicants).
66. For all our proposals relating to the Listing Rules and their implications for listed issuers and listing applicants, please also refer to Chapter 4 of this paper.

Exchange Traded Products (“ETPs”)

67. If SW occurs on a scheduled listing day, new ETPs will be listed and traded as normal.
68. If SW occurs on any day in the listing cycle²⁰, the scheduled listing date will not change.

Structured Products

69. If SW occurs on a scheduled listing day, new Structured Products will be listed and traded as normal.

¹⁹ For details of the Derivatives Holiday Trading arrangement, please refer to the following webpage: https://www.hkex.com.hk/Services/Trading/Derivatives/Overview/Trading-Mechanism/Derivatives-Holiday-Trading?sc_lang=en

²⁰ As referred to the [Guidance to the ETF Industry](#) published on 15 December 2020

70. If SW occurs on any day in the listing cycle²¹, the listing process will proceed as planned.

Futures and Options

71. If SW occurs on the effective day of introduction of a new F&O contract, the new contract will be introduced and made available for trading as normal.

72. For the addition of new contract months and new series on a SWT Day, new contract months and new strikes for F&O contracts will be generated and made available for trading on a SWT Day, following the standard procedures on a regular trading day.

Consultation Questions

Q4: Do you have any comments or concerns on the proposed arrangements for new listings and new products?

73. For ease of reference, please refer to Appendix I for the summary of arrangements after implementation of SWT.

74. For the avoidance of doubt, HKEX will amend the trading and clearing rules accordingly to reflect the arrangements mentioned in this chapter, in order to enable its trading, clearing and settlement services to be largely identical to a regular trading day.

PROPOSED MARKET COMMUNICATIONS

75. The proposed model for market trading during SW is significantly the same as in a regular trading day. However, as discussed in this chapter, there will be differences in some arrangements, i.e. corporate actions. As such, HKEX will plan to make appropriate announcements on its website and systems to alert participants and investors that, whilst SW is taking place in Hong Kong, market trading remains normal, though alternative arrangements will be made for certain functions. This will be particularly relevant to investors outside of Hong Kong who may not be aware that SW is taking place.

²¹ From launch date (L) to L+2 day

CHAPTER 3: WIDER ARRANGEMENTS AND INFRASTRUCTURAL CHANGES IN ENABLING SEVERE WEATHER TRADING

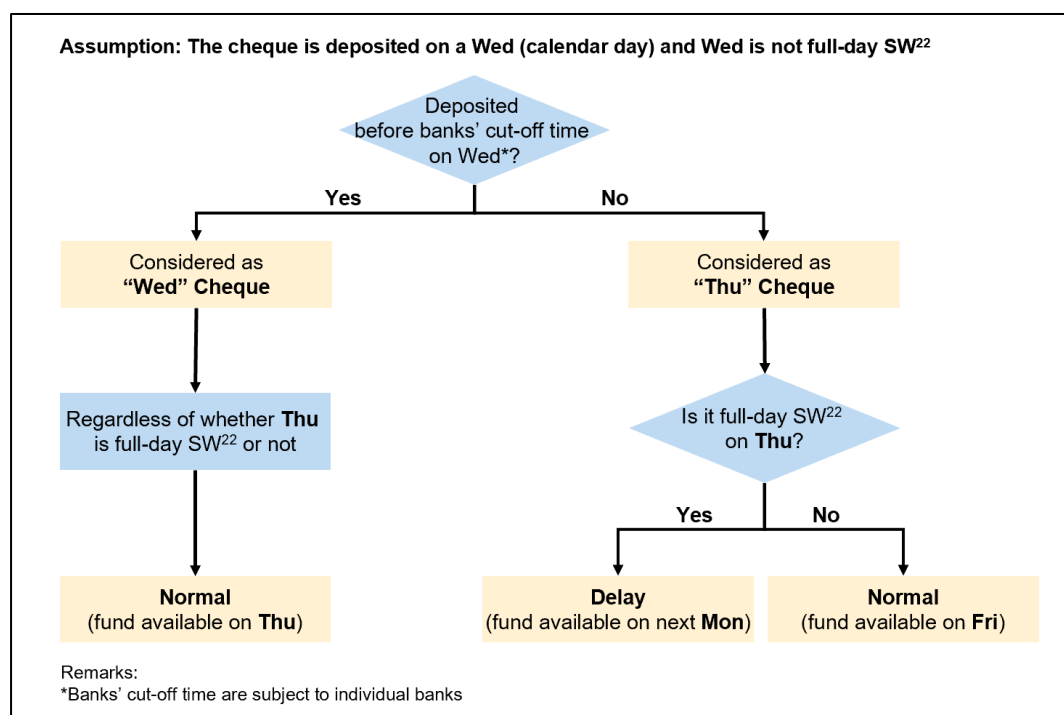
76. As indicated in Chapter 2, it is proposed to maintain the majority of services identical to a regular trading day. This shall be achieved through the support of financial infrastructure and services providers aside from HKEX. HKEX recognises the contributions from key stakeholders such as the HKAB and HKICL which have undertaken to put forth arrangements and infrastructure enhancements to facilitate SWT. This chapter covers relevant money transfer arrangements, as well as implications for market participants in relation to Companies Ordinance and Securities and Futures Ordinance in Hong Kong.

Money Transfer Arrangements

Cheque clearing

77. Currently, under the scenario of full-day SW²², paper cheques deposited on the previous working day will not be settled as scheduled. Upon implementation of SWT, to facilitate money transfer for SWT, paper cheques deposited on the working day before SWT Day will be settled on SWT Day.

78. Paper cheques deposited prior to bank closure or after bank reopen on a SWT Day will be processed and cleared on the same day, subject to banks' normal cut off time for their paper cheque collection. Such deposited paper cheques will be settled on the next working day. An illustration on the fund availability is set out below (assume the cheque is deposited on a Wednesday):



²² Full-day SW here refers to the scenario where bank branches will close for an entire day. For details, please refer to the [guideline](#) by HKAB.

79. Due to personnel and investor safety considerations, no paper cheques will be collected from any channel, such as via ATM machines or cheque deposit machines, for further processing during full-day SW when bank branches are not open.
80. Clearing and settlement of e-cheques will not be impacted by SW upon the implementation of SWT, i.e. e-cheques presented on a working day (including SWT Day) will be cleared on the same day and settled on the next working day.
81. To avoid possible money transfer issues, investors and Participants are strongly encouraged to adopt and familiarise themselves with electronic means for money transfer such as Clearing House Automated Transfer System (“CHATS”), Faster Payment System (“FPS”), e-cheques and Autocredit bulk settlement runs (“Autocredit”), to prepare for the implementation of SWT.

Banking Services

82. To facilitate CPs’ money settlement with the clearing houses for fulfilling their risk and settlement obligations, designated banks and settlement banks of relevant clearing houses of HKEX (“Designated/Settlement Banks”) ²³ will provide the following services on a SWT Day.
- 82.1. **Alternative support in the absence of branch and counter services:** Due to personnel and investor safety considerations, bank branches will close upon SW and hence no counter services will be available. Designated/Settlement Banks have agreed to review their provision of banking services and the required approval processes via electronic means, including phone banking and internet banking, etc. on a SWT Day and consider adjustment as needed to support SWT.
- 82.2. **All electronic money transfer channels will continue to be available on a SWT Day:** All electronic money transfer channels which are provided during normal trading days will continue operating on SWT Days, including the Society for Worldwide Interbank Financial Telecommunication (“SWIFT”), HKD/ USD/ RMB/ Euro CHATS, FPS and Autocredit. Most banks have already implemented measures to allow setup of specific bank services (such as CHATS) using electronic means, without the need to visit bank branches.
- 82.3. **Adjustments to electronic money transfer limits:** Designated/Settlement Banks have agreed to review their existing transfer limits and consider adjustment as needed to allow higher flexibility of money transfers through electronic means to support SWT.
- 82.4. **Auxiliary banking services to support CPs’ operations:** To facilitate CPs to manage their liquidity of different currencies to fulfil the money settlement requirements, auxiliary banking services including credit facility, time deposit and foreign exchange services will be provided on a SWT Day via electronic means, subject to the availability of such services for each Designated/Settlement Bank.
- 82.5. **Custodian services:** Custodian services offered by banks is expected to be available on a SWT Day upon implementation of SWT to facilitate settlement.

²³ Currently, the number of Designated/Settlement Banks is 38. Please refer to Appendix IV for the list of Designated/Settlement Banks.

Consultation Questions

Q5: Do you have any comments or concerns on the proposed money transfer arrangements:

- (i) Cheque clearing
- (ii) Banking services

Implications on Companies Ordinance and Securities and Futures Ordinance

83. Under the Companies Ordinance (Cap. 622), public companies are required to complete the certificates for any transferred shares, or complete the debentures or certificates for the debenture stocks in the case of a transfer of debentures or debenture stocks, and have the certificates or debentures ready for delivery within 10 business days after the day on which the transfer is lodged with the company²⁴. Under the relevant provisions, a business day is defined as a day on which a recognised stock market is open for the business of dealing in securities, which is similar to the definition of business day in the Listing Rules and therefore, includes a day on which SEHK is open for business of dealing in securities for only half day (such as in situation where either the Morning Session or Afternoon Session is cancelled due to SW currently). Upon the implementation of SWT, a SWT Day would be considered a business day in accordance with the definition of the relevant provisions. It is noted that the majority of shares traded on SEHK are settled by electronic credit/debit of CPs' stock accounts which do not involve issuance of share certificates.
84. The SFC indicated that they have considered whether there is a need to amend the Securities and Futures Ordinance ("SFO"), in particular provisions containing references to "Business Day" which is defined under the SFO to exclude a gale warning day or a black rainstorm warning day. Per current assessment, legislative changes are unlikely to be necessary for enabling the implementation of SWT but changes may be required in the future to provide better clarity and to apply existing regulatory requirements associated with regular trading in the same manner for SWT. Subject to feedback from this consultation, the preliminary view is that it is unlikely any amendment will be made before the implementation of SWT, and the SFC will continue to assess the need for legislative amendments based on experience gained during SWT.
85. For ease of reference, please refer to Appendix I for the summary of arrangements after the implementation of SWT.

²⁴ Sections 155 and 323 of the Companies Ordinance.

CHAPTER 4: IMPLICATIONS FOR LISTING APPLICANTS AND LISTED ISSUERS IN THE SECURITIES MARKET

86. The proposed arrangements for new listings of equity securities, debt securities, interests in authorised collective investment schemes and other new products have been covered in the relevant section in Chapter 2. This chapter describes the implications of the proposed arrangements for SWT for listing applicants and listed issuers.
87. A number of Listing Rules impose requirements and obligations that reference “*business day(s)*” and/or specify time periods. Examples include Listing Rules relating to the following:
- (a) the disclosure of information by way of an announcement, a notice or a circular;²⁵
 - (b) the submission of documents, notifications or returns to SEHK;²⁶
 - (c) restrictions of dealings;²⁷
 - (d) the acceptance of securities offers; and
 - (e) the performance of other actions (e.g. the issuance of certificates,²⁸ the return of borrowed stock,²⁹ and opening or closing of the application lists in a public offer³⁰).
88. A “business day” is defined in the Listing Rules as “*any day on which the Exchange³¹ is open for the business of dealing in securities*”.³² Currently, our securities and derivatives markets are closed under SW. If our markets are closed for the entire day due to SW, SEHK will not be considered as “*open for the business of dealing in securities*” and that day will not be counted as a “*business day*” for the purpose of calculating the relevant time period prescribed by the Listing Rules. Further, the Listing Rules also contain various provisions allowing the extension of certain prescribed time periods due to interruption of services as a result of SW (e.g. the postponement of share registration³³, book close

²⁵ For example, Main Board Listing Rules 2.07C(4) (GEM Listing Rule 16.18(3)), 2.07C(6) (GEM Listing Rule 16.19), 12.01A to 12.01C (GEM Listing Rules 16.01A to 16.01C), 12.02 to 12.03 (GEM Listing Rules 16.07 to 16.08), 12.08 to 12.10 (GEM Listing Rules 16.13 to 16.16), 13.28 to 13.29 (GEM Listing Rules 17.30 to 17.30A), 13.39(5) (GEM Listing Rule 17.47(5)), 13.43 (GEM Listing Rule 17.48), 13.45 (GEM Listing Rule 17.49), 13.49 (GEM Listing Rule 18.49), 13.66 (GEM Listing Rule 17.78), 13.73 (GEM Listing Rule 17.46(2)), 13.88 (GEM Listing Rule 17.100), 14.41 to 14.42 (GEM Listing Rules 19.41 to 19.42), 14.52 to 14.53 (GEM Listing Rules 19.52 to 19.53), 14.60A (GEM Listing Rule 19.60A), 14A.46 (GEM Listing Rule 20.44), 14A.48 (GEM Listing Rule 20.46), 15A.58, 15A.82, 25.16 to 25.17 (GEM Listing Rules 29.18 to 29.19), 25.20 to 25.21 (GEM Listing Rules 29.22 to 29.24), 37.39 to 37.39A (GEM Listing Rules 30.32 to 30.32A), and paragraph 17A of Practice Note 22 to Main Board Listing Rules (paragraph 16A of Practice Note 5 to GEM Listing Rules).

²⁶ For example, Main Board Listing Rules 2A.12 to 2A.13 (GEM Listing Rules 3.13 to 3.14), 3A.46 (GEM Listing Rule 6A.48), 9.03(4) (GEM Listing Rule 12.09(4)), 9.10A, 9.11 (GEM Listing Rules 12.22 to 12.26), 9.18 to 9.23 (GEM Listing Rules 12.16, 12.26B to 12.27), 11.02 (GEM Listing Rule 14.02), 11A.09 (GEM Listing Rule 15.09), 13.25A to 13.25B (GEM Listing Rules 17.27A to 17.27B), 13.30 to 13.32 (GEM Listing Rules 17.35 to 17.36), 13.54 (GEM Listing Rule 17.57), 14.62 (GEM Listing Rule 19.62), 14A.57 (GEM Listing Rule 20.55), 20.15, 24.03 (GEM Listing Rules 28.03 and 28.05), 24.10 to 24.14 (GEM Listing Rules 28.13 to 28.16), 25.02 (GEM Listing Rule 29.02), 26.02, 29.05 (GEM Listing Rule 35.05) and 37.42 (GEM Listing Rule 30.35).

²⁷ For example, Main Board Listing Rule 9.09 (GEM Listing Rule 12.11) and paragraph B.8 of Appendix 10 to Main Board Listing Rules (GEM Listing Rule 5.61).

²⁸ For example, Main Board Listing Rules 13.58 (GEM Listing Rule 17.63), 13.60 (GEM Listing Rules 17.68 to 17.74), and paragraph 16(2) of Appendix 7H to Main Board Listing Rules.

²⁹ For example, Main Board Listing Rule 10.07(3) (GEM Listing Rule 13.15(5)).

³⁰ Paragraph 8 of Practice Note 8A to Main Board Listing Rules.

³¹ In the definition of “*business day*” under the Listing Rules, “*the Exchange*” refers to SEHK.

³² Main Board Listing Rule 1.01 (GEM Listing Rule 1.01).

³³ Practice Note 8 of the Main Board Listing Rules (GEM Listing Rules 17.79 and 17.80 and Table 1 of Chapter 17)

dates³⁴, prospectus registration and publication³⁵, and the change of the opening or closing of the application lists in a public offer³⁶ amongst others).

89. Under the proposed arrangements for SWT, the securities and derivatives markets will continue to be open for trading. With the increasingly prevalent use of technology and the implementation of policies (such as our Paperless Listing Regime³⁷) which support remote working, it has become possible to perform various Listing Rule obligations by electronic means without requiring the physical delivery of documents or physical attendance by relevant parties.
90. Given that SEHK, the issuers and other relevant parties would be able to perform their obligations under the Listing Rules and SEHK's online platforms/ systems (including the HKEXnews webpage) will also operate as normal on a SWT Day, we consider that a SWT Day should be a "business day" for the purpose of the Listing Rules. Accordingly, we propose no change be made to the existing definition of "business day".
91. In addition, the current arrangements³⁸ under the Listing Rules providing for extension of any time periods due to disruptions caused by SW should no longer be necessary. As a result, some of the current extensions may be removed.
92. There are however situations where there are practical difficulties in complying with a Listing Rule obligation on a SWT Day (e.g. the physical services or attendance of a party is necessary and there are no feasible alternatives to that) and it may be necessary to amend the Listing Rules to accommodate these situations.
93. For example, the current Listing Rule requirements on the certification of transfers or temporary documents, split of renounceable documents and the return of these documents³⁹; issuance, cancelling, splitting and consolidation of securities certificates and securities registration arrangements;⁴⁰ issuance of letters of regret;⁴¹ prospectus registration;⁴² and closing of the application lists in a public offer period for issuers using Mixed Media Offer, may still require extension of time or other special arrangements during SW.
94. We propose that consequential amendments to the Listing Rules be made to reflect the above and any relevant trading and clearing arrangements proposed under Chapter 2.⁴³

³⁴ Note 2 to Main Board Listing Rule 13.66 (Note 2 to GEM Listing Rule 17.78).

³⁵ Paragraphs 3 to 7 of Practice Note 8A to the Main Board Listing Rules (Paragraphs 3 to 7 of Practice Note 7 to GEM Listing Rules).

³⁶ Paragraphs 8 to 9 of Practice Note 8A to Main Board Listing Rules (Paragraphs 8 to 9 of Practice Note 7 to GEM Listing Rules).

³⁷ SEHK's paperless initiatives as set out in (1) the [Consultation Paper](#) and [Conclusions Paper](#) on Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display; and (2) the [Consultation Paper](#) and [Conclusions Paper](#) on Proposals to Expand the Paperless Listing Regime and Other Rule Amendments.

³⁸ As noted in paragraph 88 above.

³⁹ Main Board Listing Rules 13.58 (GEM Listing Rule 17.63).

⁴⁰ Main Board Listing Rules 13.60(1) and 13.60(4) (GEM Listing Rules 17.68(1), 17.71(1), 31.27(1) and 31.30(1)).

⁴¹ Paragraph 5 of Part A of Appendix 2 to Main Board Listing Rules (Paragraph 5 of Part A of Appendix 2 to GEM Listing Rule).

⁴² Paragraphs 3 to 7 of Practice Note to 8A Main Board Listing Rules (Paragraphs 3 to 7 of Practice Note 7 to GEM Listing Rules).

⁴³ For example, paragraphs 14 and 15 of Practice Note 8A to Main Board Listing Rules (paragraphs 14 and 15 of Practice Note 7 to the GEM Listing Rules).

Consultation Questions

- Q6: Do you agree with the proposed arrangements for listing applicants and listed issuers as set out in paragraphs 90 – 91 above, where (a) no change should be made to the existing definition of “business day” under the Listing Rules; and (b) consequential amendments (where necessary) should be made to the Listing Rules to remove any current time extension? Please provide reasons for your view.
- Q7: Do you agree with the proposed arrangements for listing applicants and listed issuers as set out in paragraphs 92 – 94 above, and that consequential amendments (where necessary) should be made to the Listing Rules to accommodate situations where there are practical difficulties in complying with a Listing Rule obligation on a SWT Day? Please provide reasons for your view.
- Q8: Do you envisage there being any material practical difficulty in complying with any particular Listing Rule requirements (e.g. those identified in paragraph 93) if a SWT Day is counted as a “business day”? If so, please explain the practical difficulty with reference to the relevant Listing Rules.
- Q9: Do you agree that consequential amendments to the Listing Rules should be made to reflect any arrangements proposed under this chapter and the relevant trading and clearing arrangements proposed under Chapter 2?

95. For ease of reference, please refer to Appendix I for the summary of arrangements after implementation of SWT.

CHAPTER 5: HKEX'S VIEW ON POTENTIAL CONCERNS WITH THE PROPOSED SEVERE WEATHER TRADING MODEL

96. Following wide-ranging discussions and information gathering with stakeholders and the SWT Task Force members, this chapter sets out possible market concerns and perceptions about SWT, and relevant responses by HKEX.

97. **Question: Has HKEX considered other alternative models that do not require Participants to fulfil risk⁴⁴ and settlement obligations on a SWT Day? Can these obligations be waived?**

Participants are required to fulfil risk and settlement obligations on a SWT Day upon the implementation of SWT. After conducting a thorough assessment on alternatives for Participants to defer their risk obligations on a SWT Day, it is considered that these options may not be feasible for the following reasons:

97.1. **Maintaining existing market infrastructure:** Each of HKEX's clearing houses assumes the role of a central counterparty ("CCP") after the novation of the original contract between the buyer and seller in accordance with its rules. As the CCP, the clearing house collects mark-to-market and settlement funds from both parties. This arrangement enables it to continue providing a guarantee for the settlement of transactions conducted by the Participants.

97.2. **Risk neutrality:** If a payment obligation is not covered on a SWT Day, additional risk would not only be imposed on HKEX, but also to market participants and the entire Hong Kong ecosystem. Similarly, treating CPs inconsistently (i.e. different groups of CPs applying different risk and settlement obligations) would result in increased systemic risks. HKEX's clearing houses' role as a CCP would be at risk of not being able to be fulfilled from a risk perspective.

97.3. **Regulatory issues:** Each of HKEX's clearing houses is mandated to consistently adhere to a range of local and international regulatory requirements which are put in place to ensure a fair and transparent market, maintain market stability and minimise any systemic risks. This includes the ongoing maintenance of an adequate level of financial resources in accordance with the PFMI⁴⁵ coverage standards. Failure to meet these requirements would weaken the clearing houses' status as a "Qualifying CCP" and may lead to substantially higher capital charges for CPs on their exposure to the CCP.

97.4. **Industry standards:** Enabling normal operations by adopting a fully collateralised approach on a SWT Day in the Hong Kong markets is consistent with the practices of major international markets.

98. **Perception: The implementation of SWT and it may pose safety concerns to personnel in the financial services industry who need to commute to work.**

⁴⁴ Examples of risk obligations include initial margin and variation margin

⁴⁵ Principles for Financial Market Infrastructures (PFMI) published by the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO)

With the increasingly prevalent use of technology and policies that support remote working, it is possible to perform trading, clearing and other market operations using electronic means without physically being in an office. Participants are encouraged to use remote capabilities developed during the pandemic to plan for their remote operations on a SWT Day. HKEX has made enhancements to its infrastructure to reduce the need for physical access to offices by Participants' employee, a recent example being the change of authentication arrangement of CCASS terminal access from smartcard to two-factor authentication for their clearing and settlement operations.

99. Question: What are the implications for Participants?

Participants are encouraged to start planning and initiating discussions with the following parties to prepare for SWT:

- 99.1. **Banks and custodians:** The SWT Task Force has been in constant dialog with Designated/Settlement Banks on the implementation of SWT. Participants are recommended to initiate discussions with their banks and custodians on the services provided on SWT Days, to ensure their capability to fulfil payment obligations and meet the prescribed payment timeline.
- 99.2. **Services providers and information vendors:** Participants are advised to initiate discussions with their service providers and information vendors to ensure service continuity and support during SWT Days.
- 99.3. **Remote access to necessary systems:** Participants are encouraged to use remote working capabilities developed during the pandemic to prepare for their full front-to-back operations on a SWT Day. Participants may refer to regulatory guidelines⁴⁶ on operational resilience and remote working. HKEX will consider arranging testing sessions with Participants in order to facilitate their preparation prior to the implementation of SWT.
- 99.4. **Business continuity planning:** Participants are advised to have in place a business continuity plan under the full remote capability to ensure service continuity. For Participants who would need to ask core staff to attend to office or other locations in Hong Kong during SWT to perform duties, attention is drawn on the compliance with the Code of Practice in Times of Typhoons and Rainstorms issued by the Labour Department⁴⁷.
- 99.5. **Review procedures:** Participants are advised to review their existing operational and monitoring procedures and introduce enhancement measures where appropriate. The below examples may be considered:
 - 99.5.1. Make use of non-physical means for money transfer and funding such as phone banking, internet banking, etc.
 - 99.5.2. Communicate with the relevant banks to make sure the services required will continue to be provided and make alternative arrangements if otherwise.

⁴⁶ For example, the SFC has issued a circular on operational resilience and remote working in October 2021. <https://apps.sfc.hk/edistributionWeb/api/circular/openFile?lang=EN&refNo=21EC41>

⁴⁷ Code of Practice in Times of Typhoons and Rainstorms issued by the Labour Department: <https://www.labour.gov.hk/eng/public/wcp/Rainstorm.pdf>

99.5.3. Remind clients of the possibility that under SW, some of the banks may not provide banking services to support securities trading, such as money transfer, foreign exchange services, credit facilities, etc., and encourage them to make necessary arrangements where appropriate.

99.6. **ETF Managers, Trustees/Custodians, Market Makers, ETF Participating Dealer(s) (“PD(s)”) and PD Agent(s):** ETF managers are encouraged to initiate discussions with pertinent ETF stakeholders to foster effective arrangement on order execution, basket composition and trade settlement to ensure the smooth functioning of ETF primary market on SWT Days.

100. Question: Will there still be physical services such as services at bank branches under SW? What if I still prefer using paper cheques for money transfer?

Considering the importance of personnel and investor safety, Participants and investors should be aware of the following:

100.1. **No physical outlets during SW:** No physical outlets will be available during SW, including bank branches, share registrars and the CCASS Depository.

100.2. **Adopt electronic channels for fund transfer:** No paper cheques would be collected from any channel (e.g. deposited via ATM or cheque deposit machines) for processing if the bank branches or service counters have been closed for the full day due to SW, as any such paper cheques deposited would still need to be collected physically by bank staff. Designated/Settlement Banks will provide services on SWT Day via electronic channels to support money transfer. Investors and Participants should switch to electronic channels to fulfil their fund transfer needs.

101. Question: Would the SWT arrangements be different in the cases of half-day or multiple-day typhoon?

Under half-day or multiple-day typhoon scenario, the arrangements mentioned in earlier chapters apply, meaning HKEX’s trading and clearing services will operate as usual, with the exception of physical counters. In the case of half day typhoon, CCASS Depository counter will open two hours after the lowering of SW before 12:00 noon, otherwise it will be closed for the day. For the arrangements relating to bank branches and share registrars, please refer to announcements by HKAB and registrars.

CHAPTER 6: NEXT STEPS

Consultation Period and Implementation Timeline

102. The consultation period for this consultation paper will be eight weeks and will close on 26 January 2024. HKEX will review comments received and, in consultation with the HKSAR Government, the SFC and the HKMA, propose a way forward in the consultation conclusions.
103. To allow adequate lead time for market preparation, the SWT Task Force proposes a six-month preparation lead time prior to implementation of SWT (i.e. Effective July 2024).

Consultation Questions

- Q10: Under the proposed model, do you foresee any insurmountable difficulties for implementing SWT? If yes, please specify.
- Q11: Would there be adequate time to prepare for SWT to come effective in July 2024 under the proposed model? If not, what would be a reasonable length and why?

APPENDIX I: SUMMARY OF ARRANGEMENTS

		“Business as Usual” or BAU - Trading Day without SW	SW Day ⁴⁸ (Before SWT)	SWT Day ⁴⁹ (After SWT)	
A Operational Arrangements in HK Securities Market					
1	Trading	Trading arrangements	Arrangements follow regular trading day	Not available	Same as BAU
		Stamp duty collection (for any chargeable stamp duty which is collected by SEHK)	Arrangements follow regular trading day	Exchange Participant’s (“EP’s”) submission window for Stamp Duty Daily Return (Form SD-1) may be extended	Same as BAU
		Trading of stocks on ex-entitlement date (“ex-date”) due to a corporate action with ex-entitlement arrangement	Previous closing price is adjusted on the scheduled ex-date	As there is no trading under SW, securities will trade ex-entitlement on the next day when trading resumes.	Same as BAU
2	Clearing	Clearing, settlement & collateral management	Arrangements and schedules follow regular trading day and settlement day	Not available	Same as BAU
		Availability of CCASS Depository services	Physical outlets of HKSCC and share registrars are open for services	Physical outlets of HKSCC and share registrars are closed. Deposit and withdrawal of physical securities by CCASS Participants are not available	Physical outlets of HKSCC and share registrars are expected to be closed. Deposit and withdrawal of physical securities by CCASS Participants will not be available Implication: Physical certificate holders may deposit and lodge their physical certificates on the day after SW

⁴⁸ Assume SW lasts for a full day only

⁴⁹ Assume SW lasts for a full day only

			“Business as Usual” or BAU - Trading Day without SW	SW Day⁴⁸ (Before SWT)	SWT Day⁴⁹ (After SWT)
		Physical certificate deposit for settlement purpose	CCASS Participants may deposit physical certificates in accordance with HKSCC Operational Procedures	As it is a non-settlement day, CCASS Participants may deposit physical certificates for settlement purpose on the next day after SW	Settlement will continue. HKSCC may grant an exemption from buy-in due to SW Implication: Relevant CP should file request for exemption from buy-in
		Determination of the eligibility of corporate actions	According to the last registration date as scheduled	Last registration date shall be postponed	Last registration date shall be postponed ⁵⁰
		Order placement and settlement of ETF creation/redemptions	Proceed as scheduled	No order placement. Relevant settlement will be extended to next settlement day	Subject to feedback from ETF managers and the relevant stakeholders, order placement and settlement of ETF creation/redemption is expected to proceed as scheduled
		Cash settlement for Structured Products	Available	Not available	Same as BAU
3	Risk Management	Mark-to-market, margin and Guarantee Fund (“GF”) contributions, collateral policy and default management	Arrangements and schedules follow regular trading day	Not applicable	Same as BAU
4	Market Data	Data dissemination of HKEX Orion Market Data Platform – Securities Market (“OMD-C”), including Mainland Market Data Hub (“MMDH”)	Available for connection with full market data dissemination	Available for connection with limited market data dissemination	Same as BAU
		Real time index dissemination	Available	Available	Same as BAU

⁵⁰ For the handling in CCASS, please refer to paragraph 41 regarding Corporate Actions

			“Business as Usual” or BAU - Trading Day without SW	SW Day⁴⁸ (Before SWT)	SWT Day⁴⁹ (After SWT)
B Operational Arrangements in Northbound Trading under Stock Connect					
1	Trading	Trading	Arrangements follow regular trading day	Not available	Same as BAU
2	Clearing	Clearing, settlement & collateral management	Arrangement and schedules follow regular trading day and settlement day	Not available	Same as BAU
3	Risk Management	Mark-to-market; margin and Guarantee Fund (“GF”) contributions, collateral policy and default management	Arrangements and schedule follow regular trading day	Not applicable	Same as BAU
4	Market Data	Data dissemination of HKEX Orion Market Data and Platform – China Connect (Securities) (“OMD-CC”)	Available for connection with full market data dissemination	Available for connection with limited market data dissemination	Same as BAU
C Operational Arrangements in HK Derivatives Market					
1	Trading Derivatives Market	Trading	Arrangements follow regular trading day	Not available	Same as BAU
		Determination of Final Settlement Price (“FSP”) or Official Settlement Price (“OSP”)	FSP or OSP can be determined on Last Trading Day or Expiry Day	FSP or OSP cannot be determined on Last Trading Day or Expiry Day	Should be same as BAU unless for exceptional cases if the underlying parameters for determining FSP or OSP are not available, then a different process may be determined
2	Clearing	Clearing, settlement & collateral management	Arrangements and schedules follow regular trading day and settlement day	Not available	Same as BAU
3	Risk Management	Daily mark-to-market, margin and Reserve Fund (“RF”) contributions, collateral policy and default management	Arrangements and schedules follow regular trading day	Not applicable	Same as BAU

			“Business as Usual” or BAU - Trading Day without SW	SW Day⁴⁸ (Before SWT)	SWT Day⁴⁹ (After SWT)
4	Market Data	Data dissemination of HKEX Orion Market Data Platform – Derivatives Market (“OMD-D”)	Available for connection with full market data dissemination	Available for connection with limited market data dissemination	Same as BAU
5	LOP Reporting		To report LOP for open positions that opened or accumulated on previous trading day	No need to report LOP during SW Day. For open positions that opened or accumulated on previous trading day, report LOP on the next trading day after SW	Same as BAU
6	Holiday Trading		Available	Not available	Same as BAU
D Arrangements for New Listings and New Products					
1	New Listings of Equity Securities, Debt Securities and Interests of Authorised Collective Investment Schemes		Available	Not available	Same as BAU
2	Exchange Traded Products		Available	Not available	Same as BAU
3	Structured Products		Available	Not available	Same as BAU
4	Futures and Options		Available	Not available	Same as BAU
E External Arrangements and Infrastructural Changes in Enabling SWT					
1	Cheque Clearing	Paper cheque clearing ⁵¹	Fund of deposited cheques is available on the next working day after the day of deposit. Cheques deposited to banks	No cheques are cleared and settled during full-day SW when bank branches are not open. Fund of cheques deposited on	Fund of cheques deposited on the working day before SWT Day will be available on SWT Day. No cheques will be cleared during

⁵¹ Assuming cheques are deposited before bank’s prescribed cut-off time

			“Business as Usual” or BAU - Trading Day without SW	SW Day⁴⁸ (Before SWT)	SWT Day⁴⁹ (After SWT)
			during the day will be cleared on the same day and settled on the next working day.	the working day before SW Day is not available on the SW Day due to SW. Fund would be available on the working day after SW (SW Day +1). Cheques deposited to banks during the SW Day will be cleared on the working day after SW (SW Day +1) and settled on the following working day (SW Day +2)	full-day SW when bank branches are not open. If it is not full-day SW, fund of cheques deposited before hoisting or after lowering of SW will be cleared on the SWT Day and be available on the next working day after the day of deposit (SWT Day +1)
		E-cheque clearing ⁵²	Fund of e-cheques presented is available on the next working day after the presentment day. e-cheques presented during the day will be cleared on the same day and settled on the next working day.	No e-cheques are cleared and settled during full-day SW when bank branches are not open. Fund of e-cheques presented on the working day before SW Day is not available on the SW Day. Fund would be available on the working day after SW (SW Day +1). e-cheques presented during the SW Day will be cleared on the working day after SW (SW Day +1) and settled on the following working day (SW Day +2)	Fund of e-cheques presented on the working day before SWT Day will be available on the SWT Day. e-cheques presented during the SWT Day (regardless it is full-day SW or not) will be cleared on the same day and settled on the next working day (SWT Day +1).
2	Banking Services for Designated/ Settlement Banks / Custodians	Bank branch and counter services	Open and available	Closed and not available	Closed and not available
		Electronic money transfer channels (SWIFT, CHATS, FPS, Autocredit)	Available	SWIFT, CHATS and FPS are available; Autocredit is not available	Same as BAU

⁵² Assuming e-cheques are presented before prescribed cut-off time

			“Business as Usual” or BAU - Trading Day without SW	SW Day⁴⁸ (Before SWT)	SWT Day⁴⁹ (After SWT)
		Electronic money transfer limit	Status quo	Status quo	Banks will review transfer limit and consider adjustments as needed to support on a SWT Day, subject to risk assessment of each Designated/Settlement Bank
		Auxiliary banking services to support trading and clearing activities (e.g. credit facility, time deposit, foreign exchange service)	Available	Available in electronic means subject to availability of such services for each Designated/Settlement Bank	Available in electronic means subject to availability of such services for each Designated/Settlement Bank
		Custodian services by banks	Available	Not available	Same as BAU
3	Interpretation of Ordinances	Interpretation of a business day under Section 155 and 323 of Company Ordinance (Cap. 622)	A business day ⁵³	Not a business day	A business day
		Interpretation of a business day under Securities and Futures Ordinance (SFO)	A business day ⁵⁴	Not a business day	Not a business day
F Implications for listing applicants and listed issuers in the securities market					
1	Interpretation of Listing Rules	Business Day definition of Listing Rules ⁵⁵	A business day	Not a business day	A business day Implication: Automatic extension of time for SW under the existing Listing Rules will no longer be available, except where there are

⁵³ Under Section 155 and 323 of Company Ordinance (Cap. 622), a business day means as a day on which a recognised stock market is open for the business of dealing in securities

⁵⁴ Under the SFO, a business day means a day other than a public holiday, a Saturday and a gale warning day or a black rainstorm warning day as defined in section 71(2) of the Interpretation and General Clauses Ordinance (Cap.1)

⁵⁵ For details of the Listing Rules, please refer to Chapter 4.

			“Business as Usual” or BAU - Trading Day without SW	SW Day⁴⁸ (Before SWT)	SWT Day⁴⁹ (After SWT)
					practical compliance difficulties (e.g. the physical services or attendance of a party is necessary for compliance with a Listing Rule obligation and there are no feasible alternatives)

APPENDIX II: EXAMPLES OF CORPORATE ACTIONS ARRANGEMENTS

For illustration purpose, the below corporate action events assume SW for a full day.

Corporate Action	Event date concerned	If event date falls on SWT Day	
		Prior to implementation of SWT	After implementation of SWT
Cash dividend	Dividend payment date	<p>Cash dividend payment will be postponed.</p> <p>HKSCC will arrange payment when SW is cancelled in accordance with HKSCC Operational Procedures.</p>	<p><i>If issuer pays via electronic means:</i> cash dividend will be paid upon receipt of the good funds on the same day</p> <p><i>If issuer pays via paper cheques or other non-electronic means:</i> HKSCC will arrange payment when SW is cancelled in accordance with HKSCC Operational Procedures</p>
Stock Dividend / Bonus issue	Dividend / Bonus issue payment date	<p>Stock dividend / Bonus issue distribution will be postponed.</p> <p>HKSCC will arrange distribution when SW is cancelled in accordance with HKSCC Operational Procedures.</p>	Same arrangement as prior to implementation of SWT
Election (Dividend with scrip and/or currency option)	Deadline for election form return	<p>Deadline will be postponed.</p> <p>HKSCC will extend CCASS deadline in accordance with issuers' arrangement.</p>	Same arrangement as prior to implementation of SWT
Subscription – instruction submission (e.g. Rights issue, open offer, preferential offer, takeover offer)	Deadline for lodging the instructions	<p>Deadline will be postponed.</p> <p>HKSCC will extend CCASS deadline in accordance with issuers' arrangement.</p>	Same arrangement as prior to implementation of SWT

Corporate Action	Event date concerned	If event date falls on SWT Day	
		Prior to implementation of SWT	After implementation of SWT
Stock consolidation and splitting (with parallel trading arrangement)	Effective date	Subject to the issuers' arrangement, the effective date may or may not be postponed. HKSCC may adjust the conversion date in CCASS based on the situations.	Stock Consolidation and Splitting will be carried out on SWT Day as scheduled. HKSCC will arrange the conversion in CCASS as scheduled.
Change of board lot	Effective date	Subject to the issuers' arrangement, the effective date may or may not be postponed. HKSCC will arrange the change in board lot in CCASS on the next day when trading resumes.	Change of board lot will be carried out on SWT Day as scheduled. HKSCC will arrange the change in board lot in CCASS on SWT Day.
Transfer of listing – GEM to Main	First day of dealings on Main Board	First day of dealings on Main Board will be postponed. HKSCC will arrange the conversion in CCASS end of day before the original first day of dealing.	First day of dealings on Main Board will be carried out on SWT Day as scheduled. HKSCC will arrange the conversion in CCASS as scheduled.
Voting	Proxy deadline	HKSCC will submit proxy forms to the issuers before the issuer's proxy deadline	Same arrangement as prior to implementation of SWT

Remark: HKSCC's arrangements are in accordance with HKSCC Operational Procedure.

APPENDIX III: TIMELINE FOR RISK OBLIGATIONS

For the avoidance of doubt, “business day” in this appendix refers to a day as defined in the General Rules of HKSCC on which CCASS and CCASS Depository, and the Customer Service Centre are open for business to CCASS Participants (except Saturdays, Sundays and public holidays).

Unless it states otherwise, the timelines are applicable to all trading days regardless of whether it is a regular trading day or SWT Day.

Hong Kong Securities Market

Settlement Time	Type of Calls
By 2:00 p.m. on each trading day	<ul style="list-style-type: none"> ■ Intra-day marks payment
By 2:00 p.m. on the trading day that intra-day margin is required	<ul style="list-style-type: none"> ■ Intra-day margin payment (for non-Settlement Day)
By 5:45 p.m. on the trading day that intra-day margin is required	<ul style="list-style-type: none"> ■ Intra-day margin payment (for Settlement Day)
By 9:30 a.m. on the next trading day	<ul style="list-style-type: none"> ■ End of day marks and margin payment
By 11:00 a.m. on the next business day	<ul style="list-style-type: none"> ■ Guarantee Fund (“GF”) Risk Collateral (a.k.a. Default Fund Add-on)
By 5:45 p.m. on the next business day after review day	<ul style="list-style-type: none"> ■ GF Contribution

Northbound Trading under Stock Connect

Settlement Time	Type of Calls
By 2:00 p.m. on each trading day	<ul style="list-style-type: none"> ■ Intra-day Mainland Settlement Deposit (“MSTD”)
By 9:30 a.m. on the next business day	<ul style="list-style-type: none"> ■ End of day MSTD
By 9:30 a.m. on the second business day of each month	<ul style="list-style-type: none"> ■ Mainland Security Deposit (“MSCD”)
By 11:00 a.m. on the next business day	<ul style="list-style-type: none"> ■ GF Risk Collateral (a.k.a. Default Fund Add-on)
By 5:45 p.m. on the next business day after review day	<ul style="list-style-type: none"> ■ GF Contribution

Hong Kong Derivatives Market

Settlement Time⁵⁶	Type of Calls
By ~12:00 noon approximately (Within two hours of notification)	<ul style="list-style-type: none"> ■ Mandatory intra-day Variation Adjustment (“VA”) and margin call (HKCC only)
Within one hour of notification	<ul style="list-style-type: none"> ■ Ad-hoc intra-day calls
By ~9:15 a.m. on the next trading day	<ul style="list-style-type: none"> ■ End of day margins, VA (HKCC only), premiums (SEOCH only) and other settlement amounts
By ~11:00 a.m. of the next trading day	<ul style="list-style-type: none"> ■ Concentration Risk Margin; ■ Capital-Based Position Limits Margin; and ■ Reserve Fund (“RF”) Additional Margin
By ~4:00 p.m. on the first trading day that is not a holiday trading day after distribution of the report	<ul style="list-style-type: none"> ■ RF Contribution

⁵⁶ For HKCC, if SWT Day falls on holiday trading day, non-holiday trading CPs are required to settle any outstanding payment obligations on the next trading day after holiday trading day(s).

APPENDIX IV: LIST OF DESIGNATED/SETTLEMENT BANKS

#	Name of Banks	HKSCC Designated Bank	HKSCC Settlement Bank	SEOCH Designated Bank	HKCC Settlement Bank	SEOCH Settlement Bank
1	Agricultural Bank of China Ltd	✓				
2	Bangkok Bank Public Co Ltd	✓				
3	Bank of China (Hong Kong) Ltd	✓	✓		✓	✓
4	Bank of Communications Co Ltd	✓				
5	Bank of Communications (Hong Kong) Ltd	✓				
6	BNP Paribas	✓				
7	China CITIC Bank International Ltd	✓				
8	China Construction Bank (Asia) Corporation Ltd	✓				
9	China Construction Bank Corporation	✓				
10	China Merchants Bank Co Ltd	✓				
11	China Minsheng Banking Corp., Ltd.	✓				
12	Chiyu Banking Corporation Ltd	✓				
13	Chong Hing Bank Ltd	✓		✓		
14	Citibank N.A.	✓			✓	✓
15	CMB Wing Lung Bank Ltd	✓				✓
16	Credit Agricole Corporate and Investment Bank	✓				
17	CTBC Bank Co Ltd	✓				
18	Dah Sing Bank Ltd	✓				
19	DBS Bank (Hong Kong) Ltd	✓				
20	DBS Bank Ltd	✓				
21	Deutsche Bank AG	✓				
22	EFG Bank AG	✓				
23	Fubon Bank (Hong Kong) Ltd	✓				
24	Hang Seng Bank Ltd	✓			✓	✓
25	Industrial and Commercial Bank of China (Asia) Ltd	✓	✓			
26	Malayan Banking Berhad	✓				
27	MUFG Bank, Ltd.	✓				
28	Nanyang Commercial Bank Ltd	✓				
29	OCBC Bank (Hong Kong) Ltd	✓	✓		✓	✓
30	Oversea-Chinese Banking Corporation Ltd	✓				
31	Public Bank (Hong Kong) Ltd	✓				
32	Shanghai Commercial Bank Ltd	✓				
33	Shanghai Pudong Development Bank Co., Ltd	✓				
34	Standard Chartered Bank (Hong Kong) Ltd	✓	✓		✓	✓
35	Taishin International Bank Co Ltd	✓				
36	The Bank of East Asia Ltd	✓			✓	✓
37	The Hongkong And Shanghai Banking Corporation Ltd	✓	✓		✓	✓
38	United Overseas Bank Ltd	✓				

Note: As of November 2023. The list is sorted by alphabetical order of the names of banks.

APPENDIX V: PRIVACY NOTICE

Hong Kong Exchanges and Clearing Limited and its affiliated companies (together "HKEX", "we", "our" or "us") are committed to protecting all Personal Data under our custody, control, or possession. "Personal Data" is any information that relates to an identifiable individual or can be used to identify an individual – sometimes the individual is referred to as a "Data Subject" or consumer.

This privacy notice ("Notice") applies to the Personal Data we collect and further process from Data Subjects who respond to our public consultation papers.

If the correct Personal Data is not submitted to HKEX then we may not be able to ensure the correct details are published or contact respondents if we have queries about their comments and/or, we may be unable to process requests relating to their rights as Data Subjects under the applicable data protection laws.

What Personal Data do we collect and how do we collect it?

Information directly submitted by or collected from you:

- Identity data such as name and position in a company.
- Contact data such as phone number and email address
- Communications data such as subsequent correspondence with you to clarify your comments or to confirm your identity data.

For Data Subjects in Mainland China:

- to verify your identity, we may process your name, position, phone number, and email address ;
- to communicate with you, we may process your name, position, phone number, and email address;
- to register your response in our records or change your response upon your request, we may process your name, position, answers and reasons for those answers ;
- to prepare our publication material, we may process and publish your name and position (where your consent has been provided), and your answers and reasons for those answers .

For Data Subjects who are California residents:

To the extent the California Consumer Privacy Act and the California Privacy Rights Act apply, the types of Personal Data we collect (and have collected in the past 12 months) includes the categories listed below, as defined by California state law:

Category	Source	Purpose of Processing
Personal identifiers such as your name and email address.	Collected directly from you	For verification of identity, clarification of comments, record keeping and/or publication.
Information About You including your name, position, and telephone number.		

Why do we use the Personal Data and how do we use it?

The “**Legal Basis**” is what data protection laws set out as the lawful reasons for processing Personal Data, such as a legitimate interest to operate our business so long as it does not materially and adversely impact your interests, rights, and freedoms.

Legal Basis	Purpose
Legitimate Interests	<ul style="list-style-type: none"> ▪ Identity and contact data to verify and clarify responses ▪ Identity data where consent has been provided for external publication
Consent	<p>Separate consent</p> <ul style="list-style-type: none"> ▪ Required if you are a Data Subject in Mainland China and we need to share your Personal Data with a third party, publicly disclose it, or transfer it outside Mainland China
Legal or Regulatory Obligations	<ul style="list-style-type: none"> ▪ Discharge the functions of HKEX and any company of which HKEX is the recognised exchange controller ▪ Comply with a court order, subpoena or other legal process ▪ Comply with a request by a government authority, law enforcement agency or similar body ▪ Comply with laws applicable to us including domestic data protection laws

Do we disclose Personal Data to third parties or transfer it to another jurisdiction?

HKEX discloses Personal Data to one or more third party organisations that enable us to process public consultation papers and these include:

- Affiliates of Hong Kong Exchanges and Clearing
- Our contractors or vendors who provide telecommunications, IT security, or other technical assistance
- Our vendors who facilitate the availability of online forms
- Our vendors who provide strategy or other consultancy services in respect of our businesses
- Our agents, contractors or vendors who provide administrative support to us

To fulfil our legal obligations, we may also share your Personal Data with courts, regulatory authorities, government and law enforcement agencies, and other public authorities.

Further details about these third parties may be provided upon request to the address in the “Contact Us” section below. We shall endeavour to provide such information to the extent we are required to do so under applicable data protection laws.

Where required under applicable data protection laws, HKEX will only disclose Personal Data to third parties with your prior consent. In certain jurisdictions, HKEX may also be required to take additional measures prior to giving effect to such transfers (e.g. carrying out privacy impact assessments prior to the transfer).

HKEX may process Personal Data outside of the Data Subject’s home jurisdiction, including sharing the Personal Data with third parties. HKEX shall use reasonable endeavours to ensure that the laws and regulations of the destination jurisdiction shall offer the same or comparable level of protection for Personal Data. Where this is not the case, we shall ensure appropriate safeguards are in place at the time of the transfer by implementing standard contractual clauses or other data transfer mechanism approved by the authorities of the relevant

jurisdiction. Where required under applicable data protection laws, we shall also carry out additional measures for the offshore transfer such as carrying out a privacy impact assessment.

The regions where the Personal Data may be hosted or transferred to will vary from time to time, but typically include Hong Kong, the UK, US, EU, Switzerland, Singapore, Japan, India, and Mainland China.

Further details on the processing locations and our measures for safeguarding international transfers (including adequacy decisions) may be obtained upon request to the address in the “Contact Us” section below.

How long do we keep the Personal Data?

Personal Data is retained in accordance with our internal policies, including our Group Record Retention Policy, and applicable law.

Your Personal Data will be retained by us for as long as is necessary to fulfil the purposes required for the processing. HKEX will also refer to the following factors when determining or confirming the appropriate retention period of Personal Data:

- the original purpose of collection
- the termination of any contract involving the Data Subject’s Personal Data
- the limitation period as defined in the applicable law
- the existence of any legal or regulatory investigations or legal proceedings
- specific laws or regulations setting out HKEX’s functions, obligations, and responsibilities
- retention period set out in non-statutory guidelines issued by our regulators or international bodies
- the sensitivity of the Personal Data and the degree of risk from the associated processing activity

For Data Subjects in Mainland China, we usually retain the Personal Data for not more than 3 years from the last activity or interaction with us. Further details of our Personal Data retention period may be obtained upon request to the address in the “Contact Us” section below.

Where any Personal Data is no longer necessary for the purposes for which it is collected, we shall cease the processing of that Personal Data as soon as reasonably practicable (although copies may be retained as necessary for archival purposes, for use in any actual or potential dispute, or for compliance with applicable laws), and take reasonable measures to destroy the relevant Personal Data.

How do we keep your Personal Data secure?

We will take all practicable and reasonable steps to promote the security of the Personal Data we process in a manner consistent with applicable data protection laws and established international security standards. This includes physical, technical and administrative safeguards, to help prevent unauthorised access, collection, use, disclosure, copying, modification, disposal or similar risks, and the loss of any storage medium or device on which the Personal Data is stored, and to maintain the general security of the data.

Rights over the Personal Data

As a summary, the following Data Subject rights may be exercised to the extent provided under applicable data protection laws:

- confirm whether we hold the Data Subject's Personal Data and the type of Personal Data held by us
- access a copy of the Personal Data held by us
- delete your Personal Data held by us
- correct or supplement your Personal Data where it is found to be inaccurate
- restrict the processing performed on your Personal Data
- withdraw consent to the processing of your Personal Data in certain situations (e.g. processing carried out on the basis of our legitimate interests)
- transfer the Personal Data to another party in a machine readable format

In certain jurisdictions, Data Subjects may also be provided with additional rights.

California	<ul style="list-style-type: none"> ▪ Request that we disclose the categories of third parties with whom we have shared the information and the categories of Personal Data that we have shared with third parties for a business purpose
Mainland China	<ul style="list-style-type: none"> ▪ Explanation on the rules of processing the Personal Data ▪ Extension of the Data Subject rights to a surviving next-of-kin where the applicable laws permit ▪ Transfer of your Personal Data to your designated party, where the applicable laws permit
United Kingdom and Europe	<ul style="list-style-type: none"> ▪ Right to object to processing. You have the right to object to processing to the extent we process your Personal Data because the processing is in our legitimate interests.
Singapore	<ul style="list-style-type: none"> ▪ In certain circumstances, receive information about the ways in which the Personal Data has been or may have been used or disclosed by us in the year before the date of the request.

Where these rights apply, we shall use reasonable endeavours to fulfil the request or provide an explanation. Please note that under applicable data protection law, we are only obligated to respond to Personal Data requests from the same consumer up to two times in a 12-month period, and we may be limited in what Personal Data we can disclose which is also for the protection of your Personal Data.

We will endeavour to respond to you as soon as possible and, in any event, within the timeframe stipulated under the applicable data protection law. In the event of a potential delay, we will provide an explanation and the expected timeframe for delivery. Under applicable data protection law, we may also be required to charge a reasonable fee for the cost of processing the request.

Please note that we may need to seek confirmation of identity or clarification in order to fulfil the request. If you as the Data Subject would like to appoint an authorised agent to make a request on your behalf, we may require you to verify your identity with us directly before we provide any requested information to your authorised agent unless your authorised agent has power of attorney or acts as a conservator. Information collected for purposes of verifying your request will only be used for verification. For deletion requests, you will be required to submit a verifiable request for deletion and then confirm separately that you want Personal Data about you deleted.

If you would like to exercise your data subject rights, please contact the HKEX Group Data Protection Office via one of the channels below.

Contact Us

If you have any questions or comments relating to the content of this Notice, report any concerns about our Personal Data processing, or if you would like to exercise your Data Subject Rights, please contact us through the channels below:

By Post:

Group Data Protection Officer
GDPO Office
Hong Kong Exchanges and Clearing Limited
8/F., Two Exchange Square
8 Connaught Place
Central
Hong Kong

By email:

DataPrivacy@hkex.com.hk

UK Representative:

10 Finsbury Square, London, EC2A 1AJ, United Kingdom

EU Representative:

De Cuserstraat 91, 1081 CN Amsterdam, Postbus/PO Box 7902, 1008 AC Amsterdam, Netherlands hkex.eurep@eversheds-sutherland.com

Please include the following details in any request to exercise your Data Subject Rights:

Identity of Data Subject

- *Full Name*
- *Company Name*
- *Email Address*
- *Address of principal residence*
- *Identity particulars if acting on behalf of a Data Subject*
- *Contact details held on file or Document(s) to verify identity*

Nature of the Request

- *Product or Service to which the Data Subject has subscribed*
- *Specific Right*
 - *Purpose of the Request*
 - *Preferred communication channel and address for receiving the results of the request*
 - *Document(s) to support the rights request*

Any Data Subject who has contacted us to express concerns about the way we manage their Personal Data and is of the view that we have not addressed the matter satisfactorily, may also contact the relevant privacy regulator to resolve the matter or seek assistance.

The privacy regulator in the United Kingdom is the Information Commissioner, who may be contacted at <https://ico.org.uk/make-a-complaint/> or by post to: Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF, United Kingdom.

If you live outside of the UK, you may contact the relevant data privacy regulator in your country of residence.

Last Updated: 21 November 2023

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