

香港中央結算有限公司
(香港交易及結算所有限公司全資附屬公司)

HONG KONG SECURITIES CLEARING COMPANY LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: Standard Penalty Offences

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According to Rule 2008 of the General Rules of CCASS and Section 20.5.2 of the CCASS Operational Procedures (collectively, the “Rules”), Hong Kong Securities Clearing Company Limited (“HKSCC”) may impose summary fines or other summary penalties on CCASS Participants for any breach of a specified Rule.

Summary offences on which standard penalties shall apply (“Summary Offences”)

HKSCC Participants are requested to note that, HKSCC will impose standard penalties on late payment of any settlement amount or failure to comply with any collateral requirement due to operations oversight¹ or other minor mistakes.

Standard penalties

Without prejudice to HKSCC’s powers to institute any other disciplinary procedures in accordance with the Rules, HKSCC will impose the following standard penalties on any Summary Offences as may be committed by a CCASS Participant:

Incident(s) within past 12 months²	Disciplinary Action(s)
1 st incident	Issue compliance advice letter
2 nd incident	Issue warning letter and impose a fine of HK\$10,000
3 rd incident	Issue warning letter and impose a fine of HK\$25,000
4 th incident	Refer the case to Disciplinary Committee

¹ Example of operations oversight may include late fund transfer due to inactive bank account status.

² In relation to the same or different offences as may be committed by a CCASS Participant.

In addition to these standard penalties, HKSCC may declare the defaulting CCASS Participant a “Defaulter” pursuant to Rule 3702 of the General Rules of CCASS and take any other action(s) against such CCASS Participant (including but not limited to, where appropriate, close out any or all unsettled obligations of a defaulting CCASS Participant under the CNS System) as provided under the Rules.

Standard penalty procedures for Summary Offences

1. The Head of Market Surveillance and Monitoring Department (“MSM”) or his / her delegate will adjudicate the matter in accordance with the Rules.
2. The CCASS Participant may lodge an appeal to the Disciplinary Committee against the decision of MSM in accordance with Section 20.5.2 of the CCASS Operational Procedures. Notwithstanding any appeal by the CCASS Participant, any fine imposed with respect to Summary Offences shall, unless otherwise prescribed by HKSCC, be paid within 10 business days from the day on which the CCASS Participant receives the warning letter imposing the fine.

For consistency, HKFE Clearing Corporation Limited and The SEHK Options Clearing House Limited will impose standard penalties for similar offences.

The summary offences and penalties relating to late payment as prescribed under the circular (No.: 178/96; Ref. No.: CD/96001) dated 2 September 1996 will cease to apply with effect from today. For the avoidance of doubt, the summary offences and penalties relating to late submission of annual reports by non-broker participants (as shown in Appendix), shall remain in full force and effect.

Garbo Cheung
Head
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This circular has been issued in English with a separate Chinese translation of the same. If there is any discrepancy between the Chinese version and the English version, the English version shall prevail.

Appendix

Relevant extracts from the circular (No.: 178/96; Ref. No.: CD/96001) dated 2 September 1996

Summary Offences

The following are classified as summary offences:-

1. late submission of annual reports by non-broker participants

Summary Penalties

1. Late submission of annual reports by non-broker participants:
 - 1.1 non-broker participants are required to submit annual reports within six months of their financial year end. For any late submission, a warning letter will be issued by the Compliance Department requiring submission of reports within one month following the date of the warning letter;
 - 1.2 if the reports are not submitted within one month following the date of the warning letter, a fine of HK\$1,000 will be imposed in the subsequent week; and
 - 1.3 thereafter, an additional fine of HK\$1,000 for each week during which the offence continues until and including the week in which the reports are submitted.