

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: Market Readiness Related Information for Severe Weather Trading

Enquiry: CCASS Hotline<sup>1</sup> at Tel: 2979 7111 / Email: [clearingps@hkex.com.hk](mailto:clearingps@hkex.com.hk)

Reference is made to the Consultation Conclusions for Severe Weather Trading (“SWT”) of Hong Kong Securities and Derivatives Markets published on 18 June 2024 (“[Consultation Conclusions](#)”). SWT will be implemented on 23 September 2024, subject to regulatory approval. All Clearing Participants (“CPs”) of Hong Kong Securities Clearing Company Limited (“the Clearing House” or “HKSCC”) are requested to note and/or observe the following:

### **A) Readiness Declaration**

#### **(Except for CPs approved under the Assistance Scheme as stated in Section B of this Circular)**

Upon the implementation of SWT, clearing and settlement of securities in HKSCC will remain available during severe weather (“SW”) conditions<sup>2</sup> (“SWT Day”)<sup>3</sup>. CPs are required to support the clearing and settlement activities during SW conditions as they normally would do on a regular settlement day. CPs can refer to Appendix II of the Consultation Conclusions for a summary of the SWT operational arrangements.

There will be no system change in relation to the launch of SWT. All CPs are required to declare their SWT readiness on or before 30 August 2024. A CP with Exchange Participant’s capacity in The Stock Exchange of Hong Kong Limited (“the Exchange” or “SEHK”) (“EP”) (i.e Direct Clearing Participants or General Clearing Participants) should complete the same form [available at the SWT web corner on HKEX website](#) and submit it through Electronic Communication Platform (“ECP”)

<sup>1</sup>All calls to and from the Enquiry Hotline may be recorded. HKEX Privacy Policy Statement is available [here](#).

<sup>2</sup>Including Typhoon Signal No. 8 or above or the Black Rainstorm Warning issued by the Hong Kong Observatory, or “Extreme Conditions” announcement by the HKSAR Government

<sup>3</sup>With reference to international standards and practices on the operation of the securities and derivatives markets, HKEX will assess specific circumstances in consultation with the HKSAR Government and the Securities and Futures Commission (“SFC”) to decide whether there is an exceptional situation that warrants the markets to be closed. HKEX will make relevant advance announcements to the market as required.

(<https://ecp2.hkex.com.hk/>). A CP which it or its EP does not have an ECP account should submit the form via email to [SWT\\_Declaration@hkex.com.hk](mailto:SWT_Declaration@hkex.com.hk). CPs which have been admitted to the assistance scheme as referred to in Section B of this circular will not be required to complete the declaration by 30 August.

To allow CPs to verify their system and operational flow setup under SWT, as well as to facilitate declaration, CPs are encouraged to participate in the following **optional** Practice Session:

1. **Practice Session:** A Practice Session will be held on 24 August 2024. Participation in this Practice Session is optional and further details will be announced in due course.

## **B) Assistance for Qualified Exchange Participants and Qualified Clearing Participants (“the Scheme”)**

As mentioned in the Consultation Conclusions, for CPs<sup>4</sup> with EP’s capacity which need additional preparation time for their operations under SWT, they may consider applying for the Scheme which is a transitional arrangement for a specified period between 23 September 2024 and 31 December 2024 (both days inclusive) (“Assistance Period”).

An application by a CP must have its EP making the application simultaneously in the same form (i.e. a CP cannot apply for the Scheme without its EP’s application, and vice versa). Applicants that are admitted to the Scheme will be considered as Qualified Exchange Participants (“QEPs”) and Qualified Clearing Participants (“QCPs”) and they will be entitled to waivers from certain requirements and obligations under SEHK and HKSCC respectively. To ensure robustness of HKEX’s risk management arrangements, QEPs will be subject to certain trading restrictions on a SWT Day during the Assistance Period.

Details of the Scheme, including the eligibility requirements, waivers and trading restrictions are set out in Attachment 1.

Applicants of the Scheme should complete the form in [at the web corner](#) and submit it through the [ECP](#) on or before 29 July 2024. Any late submission will not be accepted. The applications will be subject to vetting and approval process and the result will be notified to the applicants on or before

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<sup>4</sup> Except General Clearing Participants or Custodian Participant

2 August 2024. Each QEP and QCP will be required to sign an undertaking in prescribed form that they will comply with all the requirements for participation in the Scheme after receiving the notice of approval from the Exchange and the Clearing House.

For market transparency, HKEX will publish the list of QEPs and QCPs as well as the list of other EPs and CPs which have declared not fully ready for SWT [at the web corner](#).

### **C) Other Useful Information**

Further information on SWT, including a frequently asked questions section, is now available [at the Web corner](#). In addition, a non-exhaustive list of remote solutions providers is provided in Attachment 2 of the Exchange circular (Ref: [CT/104/24](#) ) for CPs' reference.

A summary table of the key dates is provided below:

Application period of assistance scheme	15 July 2024 – 29 July 2024
Application result of assistance scheme	By 2 August 2024
Optional practice session	24 August 2024
Readiness declaration	By 30 August 2024
Launch of SWT	23 September 2024
Assistance scheme period	23 September 2024 – 31 December 2024

**Cyrus Cheung**  
**Senior Vice President**  
**Clearing & Depository**  
**Operations Division**

*This circular has been issued in the English language with a separate Chinese language translation. If there is any conflict in the circulars between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.*

**Details of the SWT Assistance for QEPs and QCPs**

**A) Eligibility Requirements**

EP	<ol style="list-style-type: none"> <li>1. EP which is a DCP and not acting as a GCP for other EPs;</li> <li>2. EP which is not a Securities Market Maker, Dual Counter Market Maker or Structured Product Liquidity Provider; and</li> <li>3. It demonstrates justifiable needs for the Scheme<sup>5</sup> and has outlined a plan to enable trading services for SWT by the end of the Scheme.</li> </ol>
CP (Note: must be the same entity as the EP)	<ol style="list-style-type: none"> <li>1. CP which is a DCP and not a GCP or Custodian Participant of HKSCC;</li> <li>2. Its settlement amount does not impose significant risk exposure to HKSCC. As a point of reference, CPs with an average daily gross long CNS positions with HKSCC below HK\$120 million in 2023 are generally not to be considered to be imposing significant risk exposure to HKSCC<sup>6</sup>; and</li> <li>3. It demonstrates justifiable needs for the Scheme<sup>7</sup> and has outlined a plan to enable clearing services for SWT by the end of the Scheme.</li> </ol>

<sup>5</sup> The applicant needs to indicate which of their operational, functional or system-related areas would impact their ability to provide trading services under SW conditions.

<sup>6</sup> Application by CPs whose average daily gross long CNS positions at or above the stated amount will only be considered on a case-by-case basis.

<sup>7</sup> The applicant needs to indicate which of their operational, functional or system-related areas would impact their ability to provide clearing services under SW conditions.

**B) Waivers Available for QEPs and QCPs and Corresponding Arrangements**

**For QEPs**

Scenario	Waivers and Corresponding Arrangements						
<p>If a SW condition is <b><i>in effect at</i></b> 8:30am on a trading day<sup>8</sup></p>	<p>1. <b>Payment of stamp duty and reporting of stamp duty daily return (Form SD-1) due on SWT Day</b></p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th style="background-color: #cccccc;">Scenarios (on T+2 day)</th> <th style="background-color: #cccccc;">Submission deadline</th> </tr> </thead> <tbody> <tr> <td>SW condition lowered at or before 12 pm</td> <td>6 pm on T+2 day</td> </tr> <tr> <td>SW condition lowered after 12 pm</td> <td>6pm on the next trading day immediately after the SWT Day</td> </tr> </tbody> </table> <p>Similar to the existing procedures for late submission handling of the Form SD-1, QEPs should (i) deposit the relevant stamp duty payment into the Exchange’s designated bank account and (ii) email Form SD-1 with authorized signature together with the proof of payment (e.g. payment slip) to the Exchange based on the above timeline.</p> <p>2. <b>Payment of trading fee and transaction levies to the Exchange, and fees, charges, levies and taxes payable in respect of buying and selling of China Connect Securities due on SWT Day:</b> The Exchange will allow QEPs to fulfil the payment requirement on the next trading day immediately after the SWT Day.</p> <p>3. <b>Reporting of monthly stamp duty summary (Form SD-2), trading fee and transaction levies payable, and submission of BCAN Aggregated Transaction Report, BCAN Off-exchange Trade BCAN (buy-side) Report, BCAN Error Report (for Hong Kong securities and Northbound Trading) and BCAN Change Report due on SWT Day:</b> The Exchange will allow QEPs to fulfil the reporting requirement on the next trading day immediately after the SWT Day.</p>	Scenarios (on T+2 day)	Submission deadline	SW condition lowered at or before 12 pm	6 pm on T+2 day	SW condition lowered after 12 pm	6pm on the next trading day immediately after the SWT Day
Scenarios (on T+2 day)	Submission deadline						
SW condition lowered at or before 12 pm	6 pm on T+2 day						
SW condition lowered after 12 pm	6pm on the next trading day immediately after the SWT Day						

<sup>8</sup> Applicable where the SW condition remains in effect for the whole trading day or is cancelled within the trading day.

Scenario	Waivers and Corresponding Arrangements								
<p>If a SW condition is <b><u>hoisted after</u></b> 8:30am on a trading day<sup>9</sup></p>	<p>1. <b>Payment of stamp duty and reporting of stamp duty daily return (Form SD-1) due on SWT Day:</b></p> <table border="1" data-bbox="512 521 1465 882"> <thead> <tr> <th data-bbox="512 521 930 573">Scenarios (on T+2 day)</th> <th data-bbox="938 521 1465 573">Submission deadline</th> </tr> </thead> <tbody> <tr> <td data-bbox="512 573 930 674">Hoisted at or before 11am and lowered at or before 12pm</td> <td data-bbox="938 573 1465 674">6pm on T+2 day</td> </tr> <tr> <td data-bbox="512 674 930 775">Hoisted at or before 11 am and lowered after 12pm</td> <td data-bbox="938 674 1465 775">6pm on next trading day immediately after the SWT Day</td> </tr> <tr> <td data-bbox="512 775 930 882">Hoisted after 11am</td> <td data-bbox="938 775 1465 882">No change to normal operations (i.e. 11am on T+2 day through ECP)</td> </tr> </tbody> </table> <p>Similar to the existing procedures for late submission handling of the Form SD-1, QEPs should (i) deposit the relevant stamp duty payment into the Exchange's designated bank account and (ii) email Form SD-1 with authorized signature together with the proof of payment (e.g. payment slip) to the Exchange based on the above timeline.</p> <p>2. <b>Payment of trading fee and transaction levies to the Exchange due on SWT Day:</b> The Exchange will allow QEPs to fulfil the payment requirement on the next trading day after the SWT Day.</p> <p>3. <b>Reporting of monthly stamp duty summary (Form SD-2), trading fee and transaction levies payable, and submission of BCAN Aggregated Transaction Report, BCAN Off-exchange Trade BCAN (buy-side) Report, BCAN Error Report (for Hong Kong securities and Northbound Trading) and BCAN Change Report due on SWT Day:</b> The Exchange will allow QEPs to fulfil the reporting requirement on the next trading day after the SWT Day.</p> <p>4. <b>Fees, charges, levies and taxes payable in respect of buying and selling of China Connect Securities due on SWT Day <u>should be arranged as usual and no waiver will be granted to QEPs in this scenario.</u></b></p>	Scenarios (on T+2 day)	Submission deadline	Hoisted at or before 11am and lowered at or before 12pm	6pm on T+2 day	Hoisted at or before 11 am and lowered after 12pm	6pm on next trading day immediately after the SWT Day	Hoisted after 11am	No change to normal operations (i.e. 11am on T+2 day through ECP)
Scenarios (on T+2 day)	Submission deadline								
Hoisted at or before 11am and lowered at or before 12pm	6pm on T+2 day								
Hoisted at or before 11 am and lowered after 12pm	6pm on next trading day immediately after the SWT Day								
Hoisted after 11am	No change to normal operations (i.e. 11am on T+2 day through ECP)								

<sup>9</sup> Applicable where the SW condition remains in effect for the rest of the trading day or is cancelled within the trading day.

For the avoidance of doubt, QEPs should still report manual trades to the Exchange within the prescribed timeframe as stipulated in the Rules of the Exchange. QEPs are also reminded to observe the current procedures and timeline for submission and approvals of trade cancellations/ amendments.

## For QCPs

Scenario	Waivers and Corresponding Arrangements
<p>If a SW condition is <b><i>in effect at</i></b> 8:30am on a business day<sup>10</sup></p>	<ol style="list-style-type: none"> <li data-bbox="470 728 1441 1568"> <p><b>1. No additional financial cost and disciplinary actions upon failure to fulfill certain payment obligations:</b> If, after making best effort to buffer up its designated settlement accounts in anticipation of a SW condition, a QCP still cannot fulfil the payment obligations with respect to its open positions including, without limitation, intra-day and End of Day marks and margin payment, End of Day Mainland Settlement Deposit (“MSTD”), Mainland Security Deposit (“MSCD”), Guarantee Fund Contribution, money settlement of Exchange Trades and China Connect Securities Trades and other payment obligations owed to the Clearing House, it will not by itself be considered as an Event of Default by HKSCC. The QCP is required to settle the outstanding amount on the next business day immediately after the SWT Day, failing which will constitute an Event of Default and HKSCC will follow business as usual process to consider declaring a defaulting QCP as a defaulter pursuant to HKSCC rules and procedures. Trading Restriction will remain in force to the QEP until the payment obligations have been fulfilled by its QCP.</p> </li> <li data-bbox="470 1568 1441 1926"> <p><b>2. Eligible for buy-in exemption upon failing to deliver shares for settlement:</b> During the Assistance Period, HKSCC may grant an exemption from a Buy-in in respect of short CNS position(s) due on the SWT Day on behalf of a short QCP on the next business day immediately after the SWT Day. Such short QCP is required to submit an application form to HKSCC on the next business day immediately after the SWT Day, failing which HKSCC may consider</p> </li> </ol>

<sup>10</sup> Applicable where the SW condition remains in effect for the whole business day or is cancelled within the business day

Scenario	Waivers and Corresponding Arrangements
	<p>executing on behalf of such CP a Buy-in on the next business day or at any time thereafter if it is not practical to do so in accordance with the applicable rules, regulations and procedures.</p>
<p>If a SW condition is <b><u>hoisted after</u></b> 8:30am on a business day<sup>11</sup></p>	<ol style="list-style-type: none"> <li>1. If a QCP cannot fulfill the payment obligations with respect to its open positions (including, without limitation, End of Day marks and margin payment, End of Day MSTD, MSCD, Guarantee Fund Contribution, money settlement of Exchange Trades and China Connect Securities Trades and other obligation owed to HKSCC), it will constitute an Event of Default and HKSCC will follow business as usual process to consider declaring a defaulting QCP as a defaulter pursuant to the HKSCC rules and procedures.</li> <li>2. If, after making best effort to buffer up its designated settlement accounts in anticipation of a SW condition, a QCP cannot fulfill intraday payment obligations such as Intra-day marks and margin payment and Intraday MSTD, it will not by itself be considered as an Event of Default by HKSCC. The QCP is required to settle the outstanding amount on the next business day immediately after the SWT Day, failing which will constitute an Event of Default and HKSCC will follow business as usual process to consider declaring a defaulting QCP as a defaulter pursuant to HKSCC rules and procedures. Trading Restriction will remain in force to the QEP until the payment obligations have been fulfilled by its QCP.</li> <li>3. Per existing practice buy-in may be conducted on failed short CPs unless an exemption is granted by HKSCC upon receiving an application with satisfactory evidence and permissible scenarios in accordance with the General Rules and Operational Procedures of HKSCC on the SWT Day.</li> </ol>

<sup>11</sup> Applicable where the SW condition remains in effect for the rest of the business day or is cancelled within the business day.



For the avoidance of doubt, the waivers shall not apply to any payment obligations in connection with any instructions with regard to the exercise of rights or entitlements or the participation in other corporate actions such as rights issues and Initial Public Offers.

### C) Trading Restriction to QEPs

QEPs will be subject to certain trading restrictions on a SWT Day during the Assistance Period. Subject to the hoisting time of the SW condition, details of the trading restriction to QEP are as follows. For the avoidance of doubt, failure by any QEP to comply with these trading restrictions (irrespective of whether the trades are proprietary trades or conducted for its clients) will constitute a breach of its undertakings. Given the QCP will be expected to procure the QEP's compliance of the trading restrictions in its undertaking, the QCP will also be in breach. Accordingly, the Clearing House may impose risk management measures and the Exchange and Clearing House also reserves the right to take disciplinary action against them. It is therefore the responsibility of the QEP and the QCP to put in place appropriate measures to ensure compliance with these trading restrictions, and impose appropriate restrictions on their clients.

Scenario	Trading Restrictions
<p>If a SW condition is <b><i>in effect at</i></b> 8:30am on a trading day</p>	<p>A QEP can only conduct the following trade types for itself and its clients for the <b><u>whole trading day</u></b> and until all obligations that should have been met during the SW condition are fulfilled by its corresponding QCP on the following trading day without SW condition. The trade types are as follows:</p> <ol style="list-style-type: none"> <li>1. Each QEP or each client is allowed to sell the same underlying stock covered by corresponding stock inventory(ies) in CCASS and/or corresponding CNS long position(s) established before the SW condition is in force;</li> <li>2. Each QEP or each client is allowed to purchase the same underlying stock which is used to close out the covered short selling trade(s) and/or short selling position(s) established before the SW condition is in force; or</li> <li>3. Other trades allowed by the Exchange or Clearing House on a case-by-case basis from time to time.</li> </ol>

Scenario	Trading Restrictions
If a SW condition is <b><u>hoisted after</u></b> 8:30am on a trading day	<p>A QEP can only conduct the following trade types for itself and its clients <b><u>from the time a SW condition is in force</u></b> and until all obligations that should have been met during the SW condition are fulfilled by its corresponding QCP on the following trading day without SW condition. The trade types are as follows:</p> <ol style="list-style-type: none"> <li>1. Each QEP or each client is allowed to sell the same underlying stock covered by corresponding stock inventory(ies) in CCASS and/or corresponding CNS long position(s) established before the SW condition is in force;</li> <li>2. Each QEP or each client is allowed to purchase the same underlying stock which is used to close out the covered short selling trade(s) and/or short selling position(s) established before the SW condition is in force; or</li> <li>3. Other trades allowed by the Exchange or Clearing House on a case-by-case basis from time to time.</li> </ol>

Illustrative examples of trading restrictions:

Existing holding before a SW condition is in force	New transactions conducted when the SW condition is in force	Comply with QP's requirement?
Hold 100 shares of Stock ABC	Sell ≤100 shares of Stock ABC	Comply
	Sell >100 shares of Stock ABC	<b>NOT</b> comply
	Sell 100 shares of another Stock XYZ	<b>NOT</b> comply
Long 100 shares of Stock ABC (CNS position <sup>12</sup> )	Sell ≤100 shares of Stock ABC	Comply
	Sell >100 shares of Stock ABC	<b>NOT</b> comply
	Sell 100 shares of another Stock XYZ	<b>NOT</b> comply
Short 100 shares of Stock ABC (CNS position)	Buy ≤100 shares of Stock ABC	Comply
	Buy >100 shares of Stock ABC	<b>NOT</b> comply
	Buy 100 shares of another Stock XYZ	<b>NOT</b> comply

<sup>12</sup> Continuous Net Settlement position, meaning to-be-settled position in this context.