

香港聯合交易所有限公司

(香港交易及結算所有限公司全資附屬公司)

THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

## 通告 CIRCULAR

Subject: Amendments to the Rules of the Exchange and the Disciplinary Procedures of The Stock Exchange of Hong Kong Limited (“SEHK”)

Enquiry: Participant General Enquiry Hotline<sup>1</sup> (Tel: 2840 3626 E-mail: [trd@hkex.com.hk](mailto:trd@hkex.com.hk))

Holders of Stock Exchange Trading Rights and Exchange Participants of SEHK are requested to note that the Securities and Futures Commission has approved amendments to the Rules of the Exchange and the Disciplinary Procedures of SEHK for the purpose of facilitating the implementation of an investor identification regime at trading level for the securities market in Hong Kong.

The amendments, as set out in Appendices 1 and 2, will come into effect on Monday, 20 March 2023.

The marked-up version of the amendments can be downloaded from the following sections of the HKEX website:

- [“Rule Update - Rules of the Exchange”](#)
- [“Rule Update - Disciplinary Procedures”](#)

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Head of Legal

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

**Rules of the Exchange**

**CHAPTER 1**

**INTERPRETATION**

101. In these Rules, unless the context otherwise requires:-

“BCAN-CID Mapping File”	means a file compiled by a Relevant Regulated Intermediary, a China Connect Exchange Participant or an Exchange Participant trading through a China Connect Exchange Participant which contains all the assigned BCANs and their corresponding CID, in such format as the Exchange may require from time to time;
“Broker-to-Client Assigned Number” or “BCAN”	means –  (a) the code, number or identifier that is assigned to uniquely and consistently identify each of its clients by a Relevant Regulated Intermediary as required under Rule 538A, or a China Connect Exchange Participant or an Exchange Participant trading through a China Connect Exchange Participant as required under Rule 1425A(1); or  (b) a standardized text, number or other code that the Exchange prescribes from time to time for a particular type of client, account, order or trading arrangement of a Relevant Regulated Intermediary, a China Connect Exchange Participant or an Exchange Participant trading through a China Connect Exchange Participant;
“Client Identification Data” or “CID”	means the full name, identity document type, identity document issuing country or jurisdiction and identity document number in relation to a client to whom a BCAN is assigned;
“Relevant Regulated Intermediary”	means a relevant licensed or registered person as defined in paragraph 5.6(b)(xiv) of the SFC Code of Conduct, whether or not it is an Exchange Participant;

## **CHAPTER 5**

### **TRADING**

#### **Operational Trading Rules**

##### **Investor Identification**

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

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

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

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

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

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

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

- (d) If an on-exchange order or off-exchange order is an aggregated order, unless otherwise prescribed by the Exchange, the Relevant Regulated Intermediary which aggregated the order shall tag a specific reserved BCAN value (as the Exchange may prescribe from time to time) to the order to be submitted to the Exchange. The Relevant Regulated Intermediary shall report each order underlying an executed aggregated order in such form the Exchange may prescribe from time to time on or before market close on the third trading day after the execution of the aggregated order (“T+3 day”). In the event that an aggregated order is partially executed, a Relevant Regulated Intermediary is only required to report the portion of the order that has been executed.
- (e) In the event of any non-compliance by an Exchange Participant of any requirements under this Rule 538A(6), notwithstanding the rejection of any order or non-acceptance of the reporting of any off-exchange trade, the Exchange Participant which fails to input the CE number or the relevant BCAN may be subject to further inquiries and disciplinary action by the Exchange.
- (f) A Relevant Regulated Intermediary shall put in place appropriate measures to ensure that clients’ BCANs or the specific reserved BCAN values (as the Exchange may prescribe from time to time) which are tagged to on-exchange orders or off-exchange trades are correct and valid.

- (7) (a) An Exchange Participant which has included an incorrect BCAN (irrespective of whether the incorrect BCAN was tagged by itself or passed on from another Relevant Regulated Intermediary) when inputting an order into the System shall promptly cancel the order through the input of a cancellation request into the System if such order has not been matched or executed by the System. If such order has been matched or executed by the System, the Exchange Participant shall report any correction of BCAN to the Exchange in such manner as the Exchange may prescribe from time to time.
- (b) In the event that an Exchange Participant has included an incorrect BCAN (irrespective of whether the incorrect BCAN was tagged by itself or passed on from another Relevant Regulated Intermediary) in an off-exchange transaction, the Exchange Participant which inputs the incorrect BCAN shall report any correction of BCAN to the Exchange in such manner as the Exchange may prescribe from time to time. If the transaction which includes an incorrect BCAN has been rejected by the buying Exchange Participant, the selling Exchange Participant shall re-input the off-exchange transaction with a correct BCAN into the System, and no reporting of the BCAN correction shall be required.
- (c) A Structured Product Liquidity Provider which has included an incorrect BCAN to a quote shall amend such incorrect BCAN directly from the System without cancelling the quote. However, the relevant Structured Product Liquidity Provider shall also report the amendment activity to the Exchange in such manner as the Exchange may prescribe from time to time.
- (8) A Relevant Regulated Intermediary shall ensure that all necessary authorizations and written or other express consents are obtained from each existing and new individual client regarding the collection, storage, processing, use, disclosure and transfer of personal data in relation to such client's BCANs and CID, including authorizations and consents which:
- (a) allow the Relevant Regulated Intermediary to disclose and transfer the client's personal data (including BCANs and CID) by the Relevant Regulated Intermediary to the Exchange and/or the Commission in accordance with the rules and requirements of the Exchange and the Commission in effect from time to time;
- (b) allow the Exchange to: (i) collect, store, process and use their personal data (including BCANs and CID) for market surveillance and monitoring purposes and enforcement of these Rules; (ii) disclose and transfer such information to the relevant regulators and law enforcement agencies in Hong Kong (including, but not limited to, the Commission) so as to facilitate the performance of their statutory functions with respect to the Hong Kong financial markets; and (iii) use such information for conducting analysis for the purposes of market oversight; and

- (c) allow the Commission to: (i) collect, store, process and use their personal data (including BCANs and CID) for the performance of its statutory functions including monitoring, surveillance and enforcement functions with respect to the Hong Kong financial markets; and (ii) disclose and transfer such information to relevant regulators and law enforcement agencies in Hong Kong in accordance with applicable laws or regulatory requirements,

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

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

## **CHAPTER 6**

### **PROFESSIONAL CONDUCT**

612. A Participant shall put in place adequate and effective internal policies, guidelines and/or control procedures to protect its operations, its clients, and other Participants from any loss (financially or otherwise) arising from theft, fraud, and other dishonest acts, professional misconduct or omissions and to ensure its compliance with the CCASS Rules, the Clearing Rules, the Options Trading Rules, the Ordinance and these Rules.

**Disciplinary Procedures**

**PART II**

**DISCIPLINARY PROCEDURES**

**1. Offences to be Dealt with under the Standard Penalty Procedures and Offences to be Dealt with by Hearings**

1.1 The following are classified as “offences to be dealt with under the Standard Penalty Procedures”:-

1.1.8 failure of a Special Participant to be an ATS provider authorised by the Commission under section 95(2) of the Ordinance as required under Rule 1507(2);

1.1.9 failure of an Exchange Participant, a China Connect Exchange Participant or a SPAC Exchange Participant to comply with the requirements under Rule 525A(2), Rule 14A06(15), Rule 14B06(18) or Rule 593(6), as the case may be, within a 12-month rolling period; and

1.1.10 failure of a Relevant Regulated Intermediary, which is an Exchange Participant, to comply with the following requirements under Rule 538A, as the case may be, within a 12-month rolling period:

- to submit the BCAN-CID Mapping File to the Exchange in such manner and by such deadline as the Exchange may prescribe from time to time as required under Rule 538A(3);
- to provide the BCAN-CID Mapping File to the Exchange for validation by the relevant prescribed deadlines (T-1 day or T day as the case may be) as required under Rule 538A(4);
- to provide accurate and up-to-date information in the BCAN-CID Mapping File submitted to the Exchange as required under Rule 538A(5), specifically the name and identity document number (including characters, numbers, and symbols) which form the client’s CID should be exactly the same as in the corresponding official identity document;
- to report each order underlying an executed aggregated order (on-exchange or off-exchange) in such form the Exchange may prescribe from time to time on or before market close on the third trading day after the execution of the aggregated order i.e. T+3 day as required under Rule 538A(6)(d);
- to obtain all necessary authorizations and written or other express consents from each existing and new individual client as required under Rule 538A(8) before inputting any buy orders for such client on T-day.



## **2. Standard Penalty Procedures**

- 2.1 The Enforcement Section or the Disciplinary Section, as the case may be, shall conduct an investigation into any alleged offence to be dealt with under the Standard Penalty Procedures.
- 2.2.1 [Repealed]
- 2.2.2 Upon being satisfied that an offence to be dealt with under the Standard Penalty Procedures referred to in Clause 1.1.6 of Part II has been committed, the Disciplinary Section or the Enforcement Section, as the case may be, shall issue a letter to the Exchange Participant, advising that the penalty as prescribed for that particular offence or offences in the Schedule of Penalties has been imposed and shall be paid within the period stipulated in the letter. In the letter, it shall be clearly stated that the Exchange Participant, if it so wishes, may request the matter be dealt with by a hearing before the Disciplinary Committee within the time limit stipulated in the letter.
- 2.2.3 [Repealed]
- 2.2.4 Upon being satisfied that an offence to be dealt with under the Standard Penalty Procedures referred to in Clauses 1.1.7 and 1.1.8 of Part II has been committed, the Disciplinary Section or the Enforcement Section, as the case may be, shall issue a letter to the Participant, advising that the penalty as prescribed for that particular offence in the Schedule of Penalties would be imposed at the date stipulated in the letter. In the letter, it shall be clearly stated that the Participant, if it so wishes, may request the matter be dealt with by a hearing before the Disciplinary Committee within the time limit stipulated in the letter.
- 2.2.5 Upon being satisfied that an offence to be dealt with under the Standard Penalty Procedures referred to in Clauses 1.1.9 and 1.1.10 of Part II has been committed, the Disciplinary Section or the Enforcement Section, as the case may be, (i) shall issue a Warning Letter to the Exchange Participant for the first offence, warning that in case of any repeated offence, the penalty as prescribed for that particular offence in the Schedule of Penalties would be imposed; or (ii) shall issue a letter to the Exchange Participant for any repeated offence, advising that the penalty as prescribed for that particular offence in the Schedule of Penalties has been imposed and shall be paid within the period stipulated in the letter. In the letter or Warning Letter, it shall be clearly stated that the Exchange Participant, if it so wishes, may request the matter be dealt with by a hearing before the Disciplinary Committee within the time limit stipulated in the letter or Warning Letter.
- 2.3.1 If in response to a letter or Warning Letter, as the case may be, issued by the Enforcement Section or the Disciplinary Section under Clause 2.2.2, 2.2.4 or 2.2.5 of Part II, the Participant requests that the matter be referred to the Disciplinary Committee, the Enforcement Section shall handle the case in accordance with the Procedures for Offences To Be Dealt With By Hearings thereafter leading to a hearing before the Disciplinary Committee.
- 2.3.2 [Repealed]

- 2.3.3 [Repealed]
- 2.4 The Disciplinary Committee may after hearing the matter referred to it in accordance with Clause 2.3.1 of Part II, in addition to any penalty which it may impose, order the Participant charged to pay the standard penalty prescribed in the Schedule of Penalties.
- 2.5 A Participant may at any time after having requested the matter to be referred to the Disciplinary Committee admit the offence to be dealt with under the Standard Penalty Procedures and pay the penalty prescribed in the Schedule of Penalties for the offence or offences with which it had been charged.

## **SCHEDULE OF PENALTIES**

9. Failure of an Exchange Participant, a China Connect Exchange Participant or a SPAC Exchange Participant to comply with the requirements under Rule 525A(2), Rule 14A06(15), Rule 14B06(18), Rule 593(6), or those referred to in Clause 1.1.10 of Part II, as the case may be, within a 12-month rolling period:-
- for the first offence, issuance of a Warning Letter;
  - for the second offence, an imposition of a fine of \$25,000;
  - for the third offence, an imposition of a fine of \$50,000;
  - any subsequent offence to be treated as an offence to be dealt with by hearings in accordance with the Procedures For Offences To Be Dealt With By Hearings.