

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 Operation Procedures for Stamp Duty Collection of The Stock Exchange of Hong Kong Limited (“SEHK”)

Enquiry: Participant General Enquiry Hotline¹ (Tel: 2840 3626 E-mail: 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 Operation Procedures for Stamp Duty Collection of SEHK for the purpose of implementing the HKD-RMB dual counter initiative by introducing the trading of securities belonging to the same class in two different currencies and a new dual counter market making programme to provide liquidity in the RMB counter, under which stamp duty exemption may be granted in respect of eligible market making and liquidity providing transactions.

The amendments, as set out in Appendices 1 and 2, will come into effect upon the launch of the dual counter initiative, which will be announced in due course.

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 - Operation Procedures for Stamp Duty Collection”](#)

Florence Leung
Head of Legal

¹ 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:-

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| “Dual Counter Market Maker” or “DCMM” | means an Exchange Participant that has a valid permit issued by the Exchange to conduct market making or liquidity providing activities in one or more Dual Counter Securities, as more particularly described in the Dual Counter Market Maker Regulations in the Nineteenth Schedule to these Rules; |
| “Dual Counter Market Maker Short Selling” | means the short selling of a Dual Counter Security which is conducted by a Dual Counter Market Maker in connection with its activities for market making or liquidity providing in accordance with the Nineteenth Schedule to these Rules and which may be made below the POS reference price (during the Pre-opening Session), the best current ask price (during the Continuous Trading Session) or the CAS reference price (during the Closing Auction Session). For the purpose of Dual Counter Market Maker Short Selling, a Dual Counter Market Maker shall not be required to satisfy the requirements set forth in the definition of short selling in the Eleventh Schedule to the extent that it is so exempted under the Ordinance; |
| “Dual Counter Security” | means an Eligible Security accepted and included in the list of Dual Counter Securities by the Exchange from time to time as referred to in Rule 581C, which may be traded in two different currencies under a primary counter and a secondary counter provided that the securities concerned are of the same class; |
| “Market Making Central Gateway session” | means a Central Gateway session for any one or more of the following purposes (as the case may be):-

(a) for carrying out market making activities in a Market Making Security or Market Making Securities by such Exchange Participant in its capacity as a Securities Market Maker; |

- (b) for carrying out the activities of providing liquidity to a Structured Product by such Exchange Participant in its capacity as a Structured Product Liquidity Provider;
- (c) for carrying out market making or liquidity providing activities in a Dual Counter Security or Dual Counter Securities by such Exchange Participant in its capacity as a Dual Counter Market Maker

in accordance with these Rules;

“primary counter” means the counter in HKD or another currency which is from time to time designated by the Exchange as the primary counter of a Dual Counter Security;

“secondary counter” means the counter in RMB or another currency which is from time to time designated by the Exchange as the secondary counter of a Dual Counter Security;

CHAPTER 5

TRADING

Operational Trading Rules

Dealings in Suspended Securities

539. Under no circumstances shall an Exchange Participant deal in suspended securities otherwise than as set out in this Rule. An Exchange Participant which fails to comply with this Rule shall be liable to disciplinary action by the Board except that the following dealings in suspended securities shall not constitute a breach of this Rule:-
- (1) where trading in the securities is suspended due to the fact that the percentage of such securities held by the public has fallen below the prescribed minimum percentage under the Main Board Listing Rules or the GEM Listing Rules (as the case may be), dealing in such securities by an Exchange Participant for the purpose of facilitating the restoration of the prescribed minimum percentage provided that the Exchange Participant shall report all such transactions in accordance with the procedures prescribed by the Exchange from time to time;
 - (2) the return of borrowed securities in which trading is suspended (without creating a new securities borrowing position), or making payment in lieu of such return;

- (3) where trading in an applicable Market Making Security is suspended,
- (a) the borrowing of shares of such applicable Market Making Security; or
 - (b) the placing of an order for the creation of shares of such applicable Market Making Security in accordance with the terms for the creation of shares of such Market Making Security as required by the issuer of shares of such Market Making Security

by a Securities Market Maker for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists for the purpose of completing a Securities Market Maker Short Selling transaction concluded prior to the suspension;

- (3A) where trading in a Dual Counter Security is suspended, the borrowing of shares of such Dual Counter Security by a Dual Counter Market Maker for its own account or for the account of any of its affiliates for the purpose of completing a Dual Counter Market Maker Short Selling transaction concluded prior to the suspension; and

- (4) where trading in the securities is temporarily suspended for a period in relation to any of the following activities (and not for other reasons):-
- (a) “placing” of such securities by or on behalf of the issuer of such securities under the Main Board Listing Rules or the GEM Listing Rules (as the case may be) or by an existing shareholder of such issuer; and
 - (b) “offer for subscription”, “offer for sale”, “rights issue” and “open offer” of such securities under the Main Board Listing Rules or the GEM Listing Rules (as the case may be),

in the case of “placing” the buying and selling of the placed securities by an Exchange Participant during the first 5 trading days of such period of suspension and in the case of “offer for subscription”, “offer for sale”, “rights issue” and “open offer” the entering into of subscription agreement or underwriting agreement with the issuer of such securities, the existing shareholder of such issuer or the underwriter in respect of such securities by an Exchange Participant during the first 5 trading days of such period of suspension provided that the Exchange Participant has complied with the requirements which the Exchange may prescribe from time to time. Notwithstanding the foregoing, an Exchange Participant may, in respect of any such “placing”, “offer for subscription”, “offer for sale”, “rights issue” and/or “open offer”, apply to the Exchange for an extension of the period for which dealings in the securities in the period of suspension shall not constitute a breach of Rule 539 and the Exchange may authorize the extension for such period as the Exchange considers appropriate.

Short Selling

- 563D. (1) With the exception of Securities Market Maker Short Selling by a Securities Market Maker, Dual Counter Market Maker Short Selling by a Dual Counter Market Maker, Structured Product Liquidity Provider Short Selling by a Structured Product Liquidity Provider, Designated Index Arbitrage Short Selling by a Designated Index Arbitrage Short Selling Participant, Stock Futures Hedging Short Selling by a Designated Stock Futures Hedging Short Selling Participant, Structured Product Hedging Short Selling by a Structured Product Hedging Participant and Options Hedging Short Selling by a Market Maker or an Options Hedging Participant, short selling shall be limited to transactions in (a) Designated Securities which are also POS securities effected on the Exchange during the Pre-opening Session, (b) Designated Securities effected on the Exchange during the Continuous Trading Session and (c) Designated Securities which are also CAS securities effected on the Exchange during the Closing Auction Session. For the avoidance of doubt, only at-auction limit orders may be input into the System as short selling orders during the Pre-opening Session and the Closing Auction Session. Exchange Participants engaged in short selling shall comply at all times with the Ordinance as amended from time to time, and the Regulations regarding short selling in the Eleventh Schedule to these Rules as approved by the Exchange from time to time.
- (2) Securities Market Maker Short Selling shall be limited to transactions in Market Making Securities effected on the Exchange by a Securities Market Maker for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists during the Continuous Trading Session. A Securities Market Maker engaged in Securities Market Maker Short Selling shall comply at all times with the Ordinance and the Regulations regarding Securities Market Maker Short Selling in the Fourteenth Schedule to these Rules as approved by the Exchange from time to time.
- (3) Structured Product Liquidity Provider Short Selling shall be limited to transactions in Structured Products effected on the Exchange by a Structured Product Liquidity Provider in the course of performing liquidity providing functions during the Continuous Trading Session. A Structured Product Liquidity Provider engaged in Structured Product Liquidity Provider Short Selling shall comply at all times with the Ordinance and the Regulations regarding Structured Product Liquidity Provider Short Selling in the Eighteenth Schedule to these Rules as approved by the Exchange from time to time.
- (4) [Repealed]
- (5) Designated Index Arbitrage Short Selling shall be limited to transactions in the underlying stocks of an index or indexes prescribed by the Exchange from time to time. A Designated Index Arbitrage Short Selling Participant shall comply at all times with the Ordinance and the Regulations regarding Designated Index

Arbitrage Short Selling in the Fifteenth Schedule to these Rules as approved by the Exchange from time to time.

- (6) Stock Futures Hedging Short Selling shall be limited to transactions in the underlying stocks of Stock Futures Contracts traded on HKFE. A Designated Stock Futures Hedging Short Selling Participant shall comply at all times with the Ordinance and the Regulations regarding Stock Futures Hedging Short Selling in the Fifteenth Schedule to these Rules as approved by the Exchange from time to time.
 - (7) Structured Product Hedging Short Selling shall be limited to transactions in the underlying stocks of single stock derivative warrants and single stock CBBCs. A Structured Product Hedging Participant shall comply at all times with the Ordinance and the Regulations regarding Structured Product Hedging Short Selling in the Fifteenth Schedule to these Rules as approved by the Exchange from time to time.
 - (8) Options Hedging Short Selling shall be limited to transactions in the underlying stocks of Options Contracts. A Market Maker or an Options Hedging Participant shall comply at all times with the Ordinance and the Regulations regarding Options Hedging Short Selling in the Fifteenth Schedule to these Rules as approved by the Exchange from time to time.
 - (9) Dual Counter Market Maker Short Selling shall be limited to transactions in Dual Counter Securities effected on the Exchange by a Dual Counter Market Maker for its own account or for the account of any of its affiliates during the Pre-opening Session, the Continuous Trading Session and the Closing Auction Session. A Dual Counter Market Maker engaged in Dual Counter Market Maker Short Selling shall comply at all times with the Ordinance and the Regulations regarding Dual Counter Market Maker Short Selling in the Nineteenth Schedule to these Rules as approved by the Exchange from time to time.
- 563E. (1) In this Rule the term “short selling” shall have the meaning ascribed to them in the Eleventh Schedule to these Rules.
- (2) The Exchange reserves the right at its absolute discretion:-
 - (a) to suspend, without giving prior notice, the short selling of a Designated Security, Securities Market Maker Short Selling, Dual Counter Market Maker Short Selling, Structured Product Liquidity Provider Short Selling, Designated Index Arbitrage Short Selling, Stock Futures Hedging Short Selling, Structured Product Hedging Short Selling or Options Hedging Short Selling;
 - (b) (i) for short selling and Securities Market Maker Short Selling, to impose limits on the number of shares of a particular Designated Security, or Market Making Security, which may be short sold;

- (ii) for Structured Product Liquidity Provider Short Selling, to impose limits on the number of Structured Products, which may be short sold;
 - (iii) for Designated Index Arbitrage Short Selling, to impose limits on the number of shares of a particular underlying stock of a Designated Index (as defined in the Fifteenth Schedule) or the Tracker Fund of Hong Kong, which may be short sold;
 - (iv) for Stock Futures Hedging Short Selling, to impose limits on the number of shares of an underlying stock of a Stock Futures Contract traded on HKFE, which may be short sold;
 - (v) for Structured Product Hedging Short Selling, to impose limits on the number of shares of an underlying stock of a single stock derivative warrant or a single stock CBBC, which may be short sold;
 - (vi) for Options Hedging Short Selling, to impose limits on the number of shares of an underlying stock of an Options Contract, which may be short sold;
 - (vii) for Dual Counter Market Maker Short Selling, to impose limits on the number of shares of a particular Dual Counter Security in either or both the primary counter and secondary counter, which may be short sold.
- (c) to impose open short sold position limits on the number of shares of a particular Designated Security which an Exchange Participant may hold on its own account or for the account of its clients, on the number of shares of a particular Market Making Security which a Securities Market Maker may hold in respect of Securities Market Maker Short Selling for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists, on the number of shares of a particular Dual Counter Security which a Dual Counter Market Maker may hold in respect of Dual Counter Market Maker Short Selling in either or both the primary counter and secondary counter for its own account or for the account of any of its affiliates, on the number of Structured Products which a Structured Product Liquidity Provider may hold in respect of Structured Product Liquidity Provider Short Selling for the account of an issuer or the account of any of its associates, on the number of shares of a particular underlying stock of a Designated Index (as defined in the Fifteenth Schedule) or the Tracker Fund of Hong Kong which a Designated Index Arbitrage Short Selling Participant may hold on its own account or for the account of its clients in respect of Designated Index Arbitrage Short Selling, on the number of shares of an underlying stock of a Stock Futures Contract traded on HKFE which

a Designated Stock Futures Hedging Short Selling Participant may hold for a client in respect of Stock Futures Hedging Short Selling, on the number of shares of an underlying stock of a single stock derivative warrant or a single stock CBBC which a Structured Product Hedging Participant may hold for the account of an issuer or the account of any of its associates in respect of Structured Product Hedging Short Selling and on the number of shares of an underlying stock of an Options Contract which a Market Maker may hold for its own account or for the account of an affiliate or which an Options Hedging Participant may hold for the account of a Market Maker or for the account of an affiliate of the Market Maker in respect of Options Hedging Short Selling;

- (d)
 - (i) to require an Exchange Participant to cease short selling whether temporarily or permanently and either generally or in relation to a particular Designated Security;
 - (ii) to require a Securities Market Maker to cease Securities Market Maker Short Selling whether temporarily or permanently and either generally or in relation to a particular Market Making Security;
 - (iii) to require a Structured Product Liquidity Provider to cease Structured Product Liquidity Provider Short Selling whether temporarily or permanently and either generally or in relation to a particular Structured Product;
 - (iv) to require a Designated Index Arbitrage Short Selling Participant to cease Designated Index Arbitrage Short Selling or a Designated Stock Futures Hedging Short Selling Participant to cease Stock Futures Hedging Short Selling whether temporarily or permanently and either generally or in relation to a particular underlying stock of a Designated Index (as defined in the Fifteenth Schedule) or an underlying stock of a Stock Futures Contract traded on HKFE;
 - (v) to require a Structured Product Hedging Participant to cease Structured Product Hedging Short Selling whether temporarily or permanently and either generally or in relation to a particular underlying stock of a single stock derivative warrant or a single stock CBBC;
 - (vi) to require a Market Maker or an Options Hedging Participant to cease Options Hedging Short Selling whether temporarily or permanently and either generally or in relation to a particular underlying stock of an Options Contract;
 - (vii) to require a Dual Counter Market Maker to cease Dual Counter Market Maker Short Selling whether temporarily or

permanently, whether in either or both the primary counter and secondary counter, and either generally or in relation to a particular Dual Counter Security;

- (e)
 - (i) to require an Exchange Participant to liquidate any or all open short sold positions held on its own account or for the account of its clients either generally or in relation to a particular Designated Security;
 - (ii) to require a Securities Market Maker to liquidate any or all open short sold positions in respect of Securities Market Maker Short Selling held for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists either generally or in relation to a particular Market Making Security;
 - (iii) to require a Structured Product Liquidity Provider to liquidate any or all open short sold positions in respect of Structured Product Liquidity Provider Short Selling for the account of an issuer or the account of any of its associates either generally or in relation to a particular Structured Product;
 - (iv) [Repealed]
 - (v) to require a Designated Index Arbitrage Short Selling Participant to liquidate any or all open short sold positions held in respect of Designated Index Arbitrage Short Selling on its own account or for the account of its clients either generally or in relation to a particular underlying stock of a Designated Index (as defined in the Fifteenth Schedule);
 - (vi) to require a Designated Stock Futures Hedging Short Selling Participant to liquidate any or all open short sold positions held in respect of Stock Futures Hedging Short Selling for the account of its clients either generally or in relation to a particular underlying stock of a Stock Futures Contract traded on HKFE;
 - (vii) to require a Structured Product Hedging Participant to liquidate any or all open short sold positions held in respect of Structured Product Hedging Short Selling for the account of an issuer or the account of any of its associates either generally or in relation to a particular underlying stock of a single stock derivative warrant or a single stock CBBC;
 - (viii) to require a Market Maker to liquidate any or all open short positions held in respect of Options Hedging Short Selling for its own account or for the account of an affiliate either generally or in relation to a particular underlying stock of an Options Contract;

- (ix) to require an Options Hedging Participant to liquidate any or all open short sold positions held in respect of Options Hedging Short Selling for the account of a Market Maker or the account of an affiliate of the Market Maker either generally or in relation to a particular underlying stock of an Options Contract;
 - (x) to require a Dual Counter Market Maker to liquidate any or all open short sold positions held in respect of Dual Counter Market Maker Short Selling for its own account or for the account of any of its affiliates in either or both the primary counter and secondary counter and either generally or in relation to a particular Dual Counter Security;
- (f) to stipulate for the purpose of Rule 563E(2)(e) the manner in which an Exchange Participant, a Securities Market Maker, a Structured Product Liquidity Provider, a Designated Index Arbitrage Short Selling Participant, a Designated Stock Futures Hedging Short Selling Participant, a Structured Product Hedging Participant, a Market Maker, an Options Hedging Participant or a Dual Counter Market Maker is to liquidate open short sold positions; and
- (g)
- (i) to require an Exchange Participant to disclose to the Exchange the number of shares of a Designated Security in which the Exchange Participant holds an open short sold position either on its own account or for the account of its clients;
 - (ii) to require a Securities Market Maker to disclose to the Exchange the number of shares of a particular Market Making Security in which the Securities Market Maker holds an open short sold position for its own account or for the account of any of its affiliates or for the account of any of its Designated Specialists;
 - (iii) to require a Structured Product Liquidity Provider to disclose to the Exchange the number of Structured Products in which the Structured Product Liquidity Provider holds an open short sold position for the account of an issuer or the account of any of its associates;
 - (iv) to require a Designated Index Arbitrage Short Selling Participant to disclose to the Exchange the number of shares of the underlying stocks of a Designated Index (as defined in the Fifteenth Schedule) in which the Designated Index Arbitrage Short Selling Participant holds an open short sold position in respect of Designated Index Arbitrage Short Selling either on its own account or for the account of its clients;
 - (v) to require a Designated Stock Futures Hedging Short Selling Participant to disclose to the Exchange the number of shares of

an underlying stock of a Stock Futures Contract traded on HKFE in which the Designated Stock Futures Hedging Short Selling Participant holds an open short sold position in respect of Stock Futures Hedging Short Selling for the account of its clients;

- (vi) to require a Structured Product Hedging Participant to disclose to the Exchange the number of shares of an underlying stock of a single stock derivative warrant or a single stock CBBC in which the Structured Product Hedging Participant holds an open short sold position in respect of Structured Product Hedging Short Selling for the account of an issuer or any of its associates;
- (vii) to require a Market Maker to disclose to the Exchange the number of shares of an underlying stock of an Options Contract in which the Market Maker holds an open short sold position in respect of Options Hedging Short Selling for its own account or for the account of an affiliate;
- (viii) to require an Options Hedging Participant to disclose to the Exchange the number of shares of an underlying stock of an Options Contract in which the Options Hedging Participant holds an open short sold position in respect of Options Hedging Short Selling for the account of a Market Maker or for the account of an affiliate of the Market Maker; and
- (ix) to require a Dual Counter Market Maker to disclose to the Exchange the number of shares and the counter of a particular Dual Counter Security in which the Dual Counter Market Maker holds an open short sold position for its own account or for the account of any of its affiliates.

Disclosure of Information

- 569A. The Board shall regard information concerning a Participant as confidential. Disclosure of such information shall not be made to any person without the prior approval of the Participant except that the Board may disclose the information without such prior approval:
- (a) whenever the Board has a statutory obligation to disclose the information;
 - (b) to the Commission;
 - (c) to any exchange, regulatory authority or any organization (whether within or outside Hong Kong) with which HKEX or the Exchange has entered into an information sharing arrangement or agreement;
 - (d) in the form of a summary compiled from similar or related information obtained from other Participants if the summary is so compiled as to prevent particulars relating to the business or identity, or the trading particulars, of any Participant

being ascertained from it;

- (e) with a view to the institution of, or otherwise for the purposes of, any criminal proceedings or investigation, whether under the Ordinance or otherwise, in Hong Kong;
- (f) in connection with any civil proceedings arising out of the Ordinance or otherwise in Hong Kong;
- (g) to the Market Misconduct Tribunal established by section 251 of the Ordinance;
- (h) to HKSCC;
- (i) to SEOCH;
- (j) to any recognized exchange controller;
- (k) to any company of which a recognized exchange controller which is a controller of the Exchange is a controller;
- (l) to the chief executive or the chief operating officer of HKEX for the time being appointed or deemed to have been appointed in accordance with the Ordinance or, as the context may require, their designees;
- (m) in respect of information concerning a China Connect Exchange Participant, to the relevant SEHK Subsidiary, China Connect Market Operator, China Connect Clearing House or governmental or regulatory bodies;
- (n) in respect of any order or trading information of a Securities Market Maker relating to a Market Making Security, to the issuer of such Market Making Security; and
- (o) in respect of any order or trading information of a Dual Counter Market Maker relating to a Dual Counter Security, to the issuer of such Dual Counter Security.

Dual Counter Market Makers

- 581A. Exchange Participants acting in the capacity as Dual Counter Market Makers shall comply at all times with these Rules and the Regulations regarding Dual Counter Market Makers in the Nineteenth Schedule to these Rules and such other rules as may be prescribed by the Exchange from time to time.
- 581B. Notwithstanding Rule 581A, an Exchange Participant acting in the capacity as a Dual Counter Market Maker shall not be subject to the following Rules:

Rules 514 to 516
Rule 517(4)
Rules 520 to 521

Rules 526(1) to 526(3A)
Rule 527
Rule 576

Dual Counter Security

- 581C. The Exchange may, in consultation with the Commission, designate any security as a Dual Counter Security or remove any security from the designation as a Dual Counter Security. The Exchange may establish and maintain a list of Dual Counter Securities and publish such list on the HKEX website or by such other means as it considers appropriate.

CHAPTER 6

PROFESSIONAL CONDUCT

601. All Participants and where the context admits, their Responsible Officers, nominated representatives, directors, partners, Authorized Persons, officers, employees, agents and representatives, and all persons acting on behalf of Participants, Market Makers, Securities Market Makers, Dual Counter Market Makers, Structured Product Hedging Participants and Structured Product Liquidity Providers, shall strictly comply with and adhere to the CCASS Rules, the Clearing Rules, the Options Trading Rules, the Ordinance and these Rules.
606. A Participant shall report in writing to the Exchange any breach, infringement of or non-compliance with any of these Rules or the Regulations, or where it has reason to suspect any such breach, infringement or non-compliance whether by:-
- (a) itself;
 - (b) its Responsible Officers or nominated representatives (as the case may be), directors, partners, Authorized Persons, officers, employees, agents and representatives, or persons acting on its behalf, Market Makers, Securities Market Makers, Dual Counter Market Makers, Structured Product Hedging Participants, Structured Product Liquidity Providers or registered arbitrageurs (as defined in the Fifteenth Schedule) (as the case may be); or
 - (c) any other Participant,
- giving particulars of and/or the reasons for suspecting such breach, infringement or non-compliance and all other relevant information and documents.

CHAPTER 7

DISCIPLINARY

Disciplinary Powers

701. (1) For the purpose of these disciplinary rules, the word "Exchange Participant" includes, where the context admits, a Responsible Officer, director, partner, Authorized Person, officer, employee, agent, representative and persons acting on behalf of an Exchange Participant, Market Maker, Securities Market Maker, Dual Counter Market Maker, Structured Product Hedging Participant, and/or Structured Product Liquidity Provider (as the case may be). For the avoidance of doubt, these disciplinary rules apply to an Exchange Participant where it is registered as a TSF Exchange Participant, a China Connect Exchange Participant and/or a SPAC Exchange Participant.
- (2) For the purpose of these disciplinary rules, the word "Special Participant" includes, where the context admits, a nominated representative, director, partner, Authorized Person, officer, employee, agent, representative and persons acting on behalf of a Special Participant.
- 701A. Where the acts or omissions of a Responsible Officer, director, partner, Authorized Person, Designated Specialist, officer, employee, agent, representative or persons acting on behalf of an Exchange Participant, Market Maker, Securities Market Maker, Dual Counter Market Maker, Structured Product Hedging Participant, Structured Product Liquidity Provider or registered arbitrageur (as defined in the Fifteenth Schedule), or of a nominated representative, director, partner, Authorized Person, officer, employee, agent, representative or persons acting on behalf of a Special Participant, would have been subject to these Rules had such acts or omissions been committed by the Exchange Participant or the Special Participant (as the case may be), then such acts or omissions shall be deemed to be committed by that Exchange Participant or Special Participant and disciplinary action may be taken against it.
702. In addition to any other action that the Exchange may take, the Board may exercise any of the following disciplinary powers:-
- (1) to expel a Participant by serving on it a notice of expulsion;
 - (2) to call upon a Participant, by written notice, to resign. Failing the receipt of notice of such resignation from the Participant within seven clear days of the date of notice, the Board may exercise the power of expulsion in Rule 702(1);
 - (3) to suspend a Participant from Participantship of the Exchange on such terms and for such period as the Board shall think fit;
 - (4) to impose a fine on a Participant;

- (5) to censure a Participant and to direct whether and if so in what manner such censure shall be published;
- (6) to suspend or revoke the registration of a Responsible Officer of an Exchange Participant;
- (6A) to suspend, withdraw or revoke the right of a Participant's access to the System on such terms and for such period as the Board shall think fit;
- (6B) to restrict a Participant's trading activities on or through the Exchange including but not limited to (in the case of an Exchange Participant) its Exchange Traded Options Business, on such terms and for such period as the Board shall think fit;
- (7) to suspend an Options Exchange Participant from its Options Exchange Participants on such terms and for such period as the Board shall think fit;
- (8) to suspend, withdraw, or revoke an Options Trading Exchange Participant's access to the Options Trading System and/or Options Clearing System on such terms and for such period as the Board shall think fit;
- (9) to suspend, withdraw or revoke a Market Maker's permit, a Securities Market Maker's permit or a Dual Counter Market Maker's permit (as the case may be) on such terms and for such period as the Board shall think fit;
- (10) to suspend a SEOCH Participant from its SEOCH Participants on such terms and for such period as the Board shall think fit;
- (11) to suspend, withdraw or revoke a SEOCH Participant's access to the Options Clearing System on such terms and for such period as the Board shall think fit;
- (12) to prohibit an Exchange Participant from being appointed or acting as a Structured Product Liquidity Provider on such terms and for such period as the Board shall think fit;
- (13) to prohibit an Exchange Participant from being appointed or acting as a Structured Product Hedging Participant on such terms and for such period as the Board shall think fit;
- (14) to suspend, withdraw or revoke a Securities Market Maker's, a Dual Counter Market Maker's and/or a Structured Product Liquidity Provider's access to the System through a Market Making Central Gateway session on such terms and for such period as the Board shall think fit;
- (15) to suspend, withdraw or revoke an Exchange Participant's registration as a TSF Exchange Participant or its use of or access to the TSF on such terms and for such period as the Board shall think fit; and

- (16) to suspend, withdraw or revoke an Exchange Participant's registration as a China Connect Exchange Participant or its use of or access to the China Connect Service or the CSC on such terms and for such period as the Board shall think fit.

Situations Calling for Disciplinary Action

723. (1) The Board and (subject to Rule 704 hereof) the Chief Executive may exercise their disciplinary powers against a Participant in such manner as they think fit if the Participant:-
- (a) is or has been in breach of these Rules or disobeys or challenges any lawful exercise of any power pursuant or incidental thereto; or has shielded or assisted or omitted to report or has dealt with any Participant with the knowledge that such Participant has acted contrary to these Rules;
 - (ab) is or has been in breach of rules, regulations, code of conduct or procedures as may from time to time be prescribed by a recognized exchange controller which is the controller of the Exchange;
 - (b) [Repealed]
 - (c) is or has been in breach of the Ordinance;
 - (d) [Repealed]
 - (e) is or has been in breach of the CCASS Rules;
 - (f) [Repealed]
 - (g) [Repealed]
 - (h) [Repealed]
 - (i) in relation to Exchange Traded Options, is or has been in breach of the Options Trading Rules or the Operational Trading Procedures;
 - (j) in relation to Exchange Traded Options, is or has been in breach of the Clearing Rules or the Operational Clearing Procedures;
 - (k) in relation to a Securities Market Maker, is or has been in breach of the Securities Market Maker Regulations;
 - (l) in relation to a Structured Product Liquidity Provider, is or has been in breach of the Structured Product Liquidity Provider Regulations;

- (m) in relation to a TSF Exchange Participant, is or has been in breach of any provision in these Rules that applies to the use of the TSF Service;
- (n) in relation to a China Connect Exchange Participant, is or has been in breach of any provision in these Rules that applies to the use of the China Connect Service or the trading of China Connect Securities or any Regulations, requirements, conditions, restrictions, arrangements or other stipulations that may be made, issued or published pursuant to these Rules; or
- (o) in relation to a Dual Counter Market Maker, is or has been in breach of the Dual Counter Market Maker Regulations.

CHAPTER 8

PAYMENT OF FEES AND CHARGES

802A. Without limitation to the generality of Rule 801 above, the Board may impose fees and charges in relation to the Central Gateway as follows:-

<u>Fee Type</u>	<u>Amount (HK\$)</u>
(1) administration fee for each Central Gateway session, Market Making Central Gateway session and Backup Central Gateway session applied for under Rule 365(1), 364B(3)(c), 365C(2), 364AA(1)(a), 364AA(1)(b), Regulation (15)(b) of the Fourteenth Schedule, Regulation(5)(b) of the Eighteenth Schedule or Regulation (16) of the Nineteenth Schedule	20,000 for each session

CHAPTER 13

STAMP DUTY COLLECTION

1301. A Participant shall pay to the Exchange in the manner and in accordance with the Operation Procedures for Stamp Duty Collection (“Operation Procedures”) as prescribed by the Exchange from time to time the stamp duty chargeable under the Stamp Duty Ordinance on each and every contract note issued in respect of all transactions recognized by the Exchange under Rule 544, save and except:
- (a) Market Maker jobbing transactions for which any applicable stamp duty shall be paid directly to the Collector of Stamp Revenue or in such other way as prescribed in the Stamp Duty Ordinance from time to time;
 - (b) Exchange Traded Fund underlying stock transactions; and
 - (c) Sale or purchase transactions of a Dual Counter Security in connection with market making or liquidity providing activities performed by an Exchange Participant in its capacity as a Dual Counter Market Maker, which satisfy such conditions and requirements as prescribed by the Exchange from time to time to qualify for exemption from stamp duty.

CHAPTER 15

SPECIAL PARTICIPANTS

Application of the Other Chapters and Schedules to Special Participants

1541. For clarity and for ease of reference, the following shall apply to Special Participants to the extent as set out below:
- (1) Chapters 1 (Interpretation), 2 (Administration), 6 (Professional Conduct), 7 (Disciplinary), Chapters 8 (Payment of Fees and Charges), 10 (Special Levy), 11 (Transaction and Investor Compensation Levies), 13 (Stamp Duty Collection) apply to Special Participants as set out therein;
 - (2) Chapters 3 (Exchange Participants), 3A (Stock Exchange Trading Rights), 4 (Financial Resources Rules and Accounting Requirements), 9 (Exchange Participants’ Compensation), 12 (Investors’ Compensation (Unified Exchange Compensation Fund)) do not apply to Special Participants;
 - (3) Except as set out in this Chapter 15, Chapter 5 (Trading) does not apply to Special Participants;
 - (4) the Second Schedule (Spread Table) and Third Schedule (Currencies Table) apply to Special Participants; and

- (5) the Sixth Schedule (Securities Borrowing and Lending Regulations), Eleventh Schedule (Short Selling Regulations), Fourteenth Schedule (Securities Market Maker Obligations), Fifteenth Schedule (Designated Index Arbitrage Short Selling, Stock Futures Hedging Short Selling, Structured Product Hedging Short Selling and Options Hedging Short Selling Regulations), Eighteenth Schedule (Structured Product Liquidity Provider Regulations) and Nineteenth Schedule (Dual Counter Market Maker Regulations) do not apply to Special Participants.

ELEVENTH SCHEDULE

SHORT SELLING REGULATIONS (“REGULATIONS”)

- (1) These Regulations apply to short selling of securities other than Securities Market Maker Short Selling, Dual Counter Market Maker Short Selling, Structured Product Liquidity Provider Short Selling, Designated Index Arbitrage Short Selling, Stock Futures Hedging Short Selling, Structured Product Hedging Short Selling and Options Hedging Short Selling.

In these regulations, “short selling” or “short sale”:-

- (a) subject to paragraph (b), means the sale of a security in respect of which the seller, or the person for whose benefit or on whose behalf the sale is made, has a presently exercisable and unconditional right to vest the security in the purchaser by virtue of having:-
- (i) under a securities borrowing and lending agreement:-
 - (A) borrowed the securities; or
 - (B) obtained a confirmation from the counterparty to the agreement that the counterparty has the security available to lend to him;
 - (ii) a title to other security which is convertible into or exchangeable for the security to which the sale relates;
 - (iii) an option to acquire the security to which the sale relates;
 - (iv) rights or warrants to subscribe to and to receive the security to which the sale relates; or
 - (v) entered into with any other person an agreement or arrangement of a description prescribed by rules made under section 397 of the Ordinance, for the purposes of this sub-paragraph;

- (b) in relation to a(ii), (iii), (iv) or (v) above, does not include a sale where the seller, or the person for whose benefit or on whose behalf the sale is made, has, at the time of the sale, issued unconditional instructions to obtain the security to which the sale relates.
- (18) An automatch stock may be designated by the Exchange as Designated Security from time to time if it falls within or is otherwise included in any one or more of the following categories:-
- (a) all constituent stocks of indices which are the underlying indices of equity index products traded on the Exchange;
 - (b) all constituent stocks of indices which are the underlying indices of equity index products traded on HKFE;
 - (c) all underlying stocks of stock options traded on the Exchange;
 - (d) all underlying stocks of Stock Futures Contracts (as defined in the rules, regulations and procedures of HKFE) traded on HKFE;
 - (e) stocks eligible for structured product issuance pursuant to Rule 15A.35 of the Main Board Listing Rules or underlying stocks of Structured Product traded on the Exchange;
 - (f) stocks with market capitalisation of not less than HK\$3 billion and an aggregate turnover during the preceding 12 months to market capitalisation ratio of not less than 60%;
 - (g) Exchange Traded Funds approved by the Board in consultation with the Commission;
 - (h) all securities traded under the Pilot Program;
 - (i) stocks that have been listed on the Exchange for not more than 60 trading days, with a public float capitalisation of not less than HK\$20 billion for a period of 20 consecutive trading days commencing from the second day of their listing on the Exchange and an aggregate turnover of not less than HK\$500 million during such period;
 - (j) [Repealed]
 - (k) applicable Market Making Securities (other than the securities described in categories (g) and (h) above) approved by the Board in consultation with the Commission; and
 - (l) applicable Dual Counter Securities approved by the Board in consultation with the Commission.

For the purposes of this Regulation (18), where the stocks of an issuer have been accepted for trading on the Exchange in more than one currency under different designated stock codes, the Exchange may regard the stocks traded under all stock codes as a single automatch stock and calculate the public float capitalization, market capitalization and aggregate turnover referred to above on a combined basis so long as the stocks traded under different stock codes constitute securities of the same class of the issuer and the transfer of stocks between different stock codes is allowed.

- (19) The Exchange may from time to time review the list of Designated Securities and remove a Designated Security from the list of Designated Securities if the Designated Security no longer falls within and is no longer included in any of the categories under Regulation (18) at the time of review.

FOURTEENTH SCHEDULE

SECURITIES MARKET MAKER REGULATIONS ("REGULATIONS")

INTRODUCTION

- (1) In these Regulations:-

"affiliate" means (i) a company that is a subsidiary of a Securities Market Maker or (ii) a company of which a Securities Market Maker is a subsidiary or (iii) a company which shares a parent company with a Securities Market Maker and that parent company owns at least 40 percent of both companies, which satisfies such conditions and/or requirements as may be prescribed by the Exchange from time to time and is approved by the Exchange as an affiliate of the Securities Market Maker for whose account the Securities Market Maker may enter into the System market making orders for Market Making Securities for which that Securities Market Maker holds a current Securities Market Maker permit;

NINETEENTH SCHEDULE

DUAL COUNTER MARKET MAKER REGULATIONS ("REGULATIONS")

INTRODUCTION

(1) In these Regulations:-

"affiliate" means (i) a company that is a subsidiary of a Dual Counter Market Maker or (ii) a company of which a Dual Counter Market Maker is a subsidiary or (iii) a company which shares a parent company with a Dual Counter Market Maker and that parent company owns at least 40 percent of both companies, which satisfies such conditions and/or requirements as may be prescribed by the Exchange from time to time and is approved by the Exchange as an affiliate of the Dual Counter Market Maker for whose account the Dual Counter Market Maker may enter into the System DCMM orders for Dual Counter Securities for which that Dual Counter Market Maker holds a current Dual Counter Market Maker permit;

"arbitrage order" means an order to sell (or buy) a Dual Counter Security in one counter in conjunction with another order to buy (or sell) the same Dual Counter Security in the other counter for arbitrage purpose;

"DCMM order" means an order validly entered into the System by an Exchange Participant acting in its capacity as a Dual Counter Market Maker, which shall be a market making order, a hedging order or an arbitrage order;

"fast market" means a period of time, as determined by the Exchange, during which Dual Counter Market Maker Obligations may be suspended;

"hedging order" means an order to sell (or buy) a Dual Counter Security in the primary counter for the purpose of hedging against the risk of long (or short) positions in a transaction arising from a market making order in that Dual Counter Security;

"market making order" means an order to sell or buy a Dual Counter Security in the secondary counter arising from the discharge of Dual Counter Market Maker Obligations as prescribed in or under the Appendix to this Schedule;

"maximum spread" means, in relation to two-sided market making orders, the maximum difference allowed between the bid price and the ask price input by a Dual Counter Market Maker as may from time to time be specified by the Exchange;

"minimum participation rate" means the percentage of a period of time within a trading day as may from time to time be specified by the Exchange, during which (i) in the Continuous Trading Session, a Dual Counter Market Maker is required to input and maintain two-sided market making orders that are within the maximum spread and in no less than the minimum quote size; (ii) in the Pre-opening Session, a Dual Counter Market Maker is required to input and maintain two-sided market making orders that are in no less than the minimum quote

size until the end of the random matching period, upon which the length of time for counting the minimum participation rate is determined by the Exchange from time to time as prescribed in the Appendix to this Schedule; and (iii) in the Closing Auction Session, a Dual Counter Market Maker is required to input and maintain two-sided market making orders that are in no less than the minimum quote size until the end of the random closing period, upon which the length of time for counting the minimum participation rate is determined by the Exchange from time to time as prescribed in the Appendix to this Schedule;

“minimum quote size” means, in relation to two-sided market making orders, the aggregate quote value per side of the market making orders that are validly input by a Dual Counter Market Maker as may from time to time be specified by the Exchange.

APPLICATION FOR DUAL COUNTER MARKET MAKER PERMIT

- (2) An Exchange Participant may apply to the Exchange for permission to make a market in the secondary counter of a particular Dual Counter Security, by completing the prescribed application form and returning it to the Exchange, in accordance with the instructions contained in the application form.
- (3) Before granting a Dual Counter Market Maker permit, the Exchange shall require the applying Exchange Participant to demonstrate to the satisfaction of the Exchange that it is suitably qualified to make a market in the secondary market of a Dual Counter Security in respect of which the application is made (having regard to such matters as the Exchange may, in its absolute discretion, consider to be appropriate, including the financial standing, trading record, personnel, computer equipment and internal security procedures and risk management policy and procedures of the applying Exchange Participant).
- (4) The decision of the Exchange in respect of the admission or rejection in relation to an application to become a Dual Counter Market Maker shall be final and conclusive.
- (5) The Exchange Participant which is applying for a Dual Counter Market Maker permit will be notified in writing by the Exchange of the grant of each Dual Counter Market Maker permit for each Dual Counter Security.

FORM AND DURATION OF DUAL COUNTER MARKET MAKER PERMITS

- (6) Dual Counter Market Maker permits shall be non-exclusive, non-transferable and in such form as may from time to time be prescribed by the Exchange.
- (7) Each Dual Counter Market Maker permit shall state a trading day on which it is to come into effect and the period and the Dual Counter Security for which it is granted. Unless otherwise stipulated by the Exchange, the minimum period for which each permit will be granted will be 1 year and may be renewed at the Exchange’s discretion.

RIGHTS AND OBLIGATIONS OF DUAL COUNTER MARKET MAKERS

- (8) Each Dual Counter Market Maker shall enter market making orders of Dual Counter Securities for which it holds current Dual Counter Market Maker permits in respect of such

Dual Counter Securities into the System, for its own account or for the account of any of its affiliates. Market making orders entered by a Dual Counter Market Maker shall be input into the System during the Pre-opening Session, the Continuous Trading Session or the Closing Auction Session.

- (9) Subject to Regulation (10), each Dual Counter Market Maker shall be obliged, in respect of a Dual Counter Security for which it holds a current Dual Counter Market Maker permit, to:-
- (i) enter two-sided market making orders into the System in no less than the minimum quote size and each within the maximum spread during the Continuous Trading Session;
 - (ii) enter two-sided market making orders, which shall be at-auction limit orders, into the System in no less than the minimum quote size during the Pre-opening Session and the Closing Auction Session; and
 - (iii) maintain such orders for a minimum period of time as specified by the Exchange from time to time.
- (10) A Dual Counter Market Maker shall input and maintain market making orders of a Dual Counter Security in accordance with Regulation (9) above, and meet the minimum participation rate over such time period as may from time to time be stipulated by the Exchange.
- (11) In assessing the participation rate of a Dual Counter Market Maker for the purpose of Regulation (10) above, the Exchange may, in its absolute discretion, take into account all the relevant circumstances including but not limited to the general conditions of the market, either as a whole or of a specific security.
- (12) Each Dual Counter Market Maker must be available to input and maintain market making orders on all trading days during the period for which its permits are granted unless specifically exempted by the Exchange.
- (13) (a) Each Dual Counter Market Maker may enter market making orders and conclude trades in the System for its own account or for the account of any of its affiliates to improve the liquidity and spread in the secondary counter of the Dual Counter Security for which it holds a current Dual Counter Market Maker permit.
- (b) The Dual Counter Market Maker may, for the purpose of hedging against the risk of short or long market making positions arising from trades in Regulation (13)(a) above, enter hedging orders in the primary counter of the same Dual Counter Security and conclude trades in the System for its own account or for the account of any of its affiliates. Hedging orders entered by a Dual Counter Market Maker may be input into the System during the Continuous Trading Session or the Closing Auction Session.
- (c) The Dual Counter Market Maker may, for arbitrage purpose, enter arbitrage orders and conclude trades in the System for its own account or for the account of any of its affiliates. Arbitrage orders entered by a Dual Counter Market Maker may be input into

the System during the Pre-opening Session, the Continuous Trading Session or the Closing Auction Session.

- (14) All DCMM orders entered by a Dual Counter Market Maker into the System shall be for its own account or for the account of any of its affiliates and shall not be for the account of or for the benefit of any third party. A Dual Counter Market Maker shall be fully responsible and liable for all DCMM orders entered into the System irrespective of whether it is for its own account or for the account of any of its affiliates.
- (15) Some of the Dual Counter Market Maker Obligations are set out in the Appendix to this Schedule.

MARKET MAKING CENTRAL GATEWAY SESSION

- (16) A Dual Counter Market Maker upon payment of a fee to be determined by the Board from time to time shall be entitled to have its BSS connected to a Market Making Central Gateway session for access to the System. The number of Market Making Central Gateway sessions that a Dual Counter Market Maker may be designated at any one time shall be determined by the Board from time to time. Unless otherwise determined by the Board, the Market Making Central Gateway session shall be subject to the Rules relating to "Central Gateway session" referred to in Rule 365(1) insofar as they are applicable.
- (17) A Dual Counter Market Maker shall be responsible and liable for the granting, monitoring and supervision of access to any Market Making Central Gateway sessions designated to it.
- (18) (a) A Market Making Central Gateway session shall be assigned with a standard Central Gateway throttle or multiples of a standard Central Gateway throttle (as the case may be) as determined by the Board from time to time for use by the Dual Counter Market Maker for entering DCMM orders into the System.

(b) A Dual Counter Market Maker shall use a Market Making Central Gateway session for entering DCMM orders into the System in such manner as the Board may from time to time determine. The Board may from time to time determine orders or activities a Dual Counter Market Maker may enter or carry out using a Market Making Central Gateway session subject to such conditions and in such manner as the Board may from time to time determine.

SUSPENSION, REVOCATION AND SURRENDER

- (19) Any market making obligations may be suspended by the Exchange for such period, as it shall think fit: -
 - (i) if the market for any Dual Counter Security in respect of which Dual Counter Market Maker permits have been granted is not, in the Exchange's opinion, orderly;
 - (ii) if the trading of any Dual Counter Security in respect of which Dual Counter Market Maker permits have been granted is not, in the Exchange's opinion, orderly;

- (iii) if the Dual Counter Security in respect of which Dual Counter Market Maker permits have been granted is suspended from trading;
 - (iv) when a fast market is determined by the Exchange; or
 - (v) in any circumstances as may be determined by the Exchange.
- (20) Any Dual Counter Market Maker permit (where applicable) may be suspended or revoked by the Exchange in its absolute discretion at any time without giving any reason or notice. Without prejudice to this general power of suspension and revocation, a Dual Counter Market Maker permit will be suspended or revoked:-
- (i) if the Dual Counter Market Maker fails to comply with Regulations (9) to (15) (inclusive) after having received a warning from the Exchange; or
 - (ii) if the Dual Counter Market Maker has, in the opinion of the Exchange, manipulated or distorted the market for one or more Dual Counter Securities or attempted to do so or abused its rights as a Dual Counter Market Maker; or
 - (iii) if the Dual Counter Market Maker is suspended, expelled or, for any other reason, ceases to be an Exchange Participant,
- and the Dual Counter Market Maker shall still be subject to these Regulations in respect of any events which occurred prior to and after the suspension or revocation.
- (21) Upon suspension, withdrawal, revocation or surrender of the Dual Counter Market Maker permit of a Dual Counter Market Maker, the Exchange shall terminate the access of any Market Making Central Gateway sessions designated to it to the System.
- (22) The Exchange has absolute discretion at any time to suspend, withdraw or revoke a Dual Counter Market Maker's access to the System through any Market Making Central Gateway session on such terms and for such period as the Board shall think fit without giving any reason or notice and the decision of the Board shall be final and conclusive. Without prejudice to the aforesaid general power, the Exchange shall have the right to suspend, withdraw or revoke a Dual Counter Market Maker's access in such capacity of any Market Making Central Gateway session to the System on such terms and for such period as the Board shall think fit if it fails to comply with these Regulations or if it has been suspended, expelled or for any reason ceases to be an Exchange Participant. The decision of the Board shall be final and conclusive. For the avoidance of doubt, the Exchange Participant shall remain liable for its failure to comply with these Regulations and for any monies due and payable under these Regulations as if its access in the capacity as a Dual Counter Market Maker has not been suspended, withdrawn or revoked.
- (23) An Exchange Participant may surrender at any time its Dual Counter Market Maker permit for any Dual Counter Security by giving not less than three months' (or such shorter period of time as the Exchange may allow) written notice to that effect to the Exchange.

- (24) The Exchange may, at its sole discretion, reject a new application for a Dual Counter Market Maker permit by any Exchange Participant which has previously surrendered, or failed to renew, a Dual Counter Market Maker permit or which has had a Dual Counter Market Maker permit revoked.

DUAL COUNTER MARKET MAKER SHORT SELLING

- (25) Notwithstanding anything to the contrary contained in these Rules, Dual Counter Market Maker Short Selling by a Dual Counter Market Maker shall be conducted in accordance with these Regulations and in compliance at all times with the Ordinance.
- (26) A Dual Counter Market Maker Short Selling transaction shall only be concluded in a Dual Counter Security which is automatically struck through the System.
- (27) A Dual Counter Market Maker Short Selling order may be input into the System for the Dual Counter Market Maker's account or for the account of any of its affiliates during the Pre-opening Session, the Continuous Trading Session or the Closing Auction Session. In respect of a Dual Counter Market Maker Short Selling order, a Dual Counter Market Maker shall when inputting the order into the System, indicate in such manner as the Exchange shall from time to time determine, that the order is a Dual Counter Market Maker Short Selling order.
- (28) For the avoidance of doubt, Dual Counter Market Maker Short Selling shall be limited to transactions in Dual Counter Securities which are also Designated Securities.
- (29) The Chief Executive may restrict or prohibit a Dual Counter Market Maker from Dual Counter Market Maker Short Selling provided he has first obtained the approval of the Chairman of the Board, which may be given either orally or in writing. Notice of such restriction or prohibition, whether oral or written, shall take effect immediately upon communication to or service on the Dual Counter Market Maker from the time specified in the notice and shall remain effective and in force until revoked, removed or modified by the Chief Executive.
- (30) A Dual Counter Market Maker Short Selling order could be made on the Exchange below the POS reference price (during the Pre-opening Session), the best current ask price (during the Continuous Trading Session) or the CAS reference price (during the Closing Auction Session).
- (31) The Exchange may from time to time exempt any orders, trades and Dual Counter Market Maker from all or any of the provisions of these Regulations.

APPENDIX TO NINETEENTH SCHEDULE

DUAL COUNTER MARKET MAKER OBLIGATIONS (“Obligations”)

1. Without prejudice to the other powers of the Exchange in relation to the Obligations, the Obligations as specified below may be subject to revision as determined by the Chief Executive, in consultation with the Chairman of the Exchange and the Chief Executive Officer of the Commission. Any such determination made to revise the Obligations will be notified to Exchange Participants.
2. The Exchange has absolute discretion to prescribe from time to time different Obligations with respect to different Dual Counter Securities. Such different Obligations will be notified to Exchange Participants. Unless otherwise notified to Exchange Participants, the Obligations with respect to each of the Dual Counter Securities may be prescribed by the Exchange at the following levels or within the following ranges:

	Ranges within which the Obligations may be prescribed
The maximum spread of two-sided market making orders entered by a Dual Counter Market Maker into the System during the Continuous Trading Session	0.25 to 3.00 percent or where the nominal price of the security is under such price as the Exchange may from time to time specify, 1 spread
The minimum quote size of market making orders that a Dual Counter Market Maker submits during the Pre-opening Session, the Continuous Trading Session or the Closing Auction Session in accordance with Regulation (9)	RMB50,000 to 1,000,000
The minimum period of time for which a Dual Counter Market Maker shall maintain a pair of two-sided market making orders after initially entering it into the System during (1) the Continuous Trading Session, (2) the Pre-opening Session until the end of the random matching period and (3) the Closing Auction Session until the end of the random closing period	0 to 120 seconds
The minimum participation rate of a Dual Counter Market Maker during the Pre-opening Session, the Continuous Trading Session and the Closing Auction Session in one trading day	50 to 90 percent
The length of time for counting the	0 to 900 seconds

<p>minimum participation rate for two-sided market making orders that are in no less than the minimum quote size and are maintained in no less than the minimum period of time until the end of the random matching period of the Pre-opening Session</p>	
<p>The length of time for counting the minimum participation rate for two-sided market making orders that are in no less than the minimum quote size and are maintained in no less than the minimum period of time until the end of the random closing period of the Closing Auction Session</p>	<p>0 to 360 seconds</p>

3. In the event that a Dual Counter Market Maker fails to meet the minimum participation rate in a Dual Counter Security in a trading day in accordance with the Nineteenth Schedule for five or more days in a month for two consecutive months, its Dual Counter Market Maker permit for that Dual Counter Security may be suspended or revoked at the Exchange's discretion.
4. The Exchange may, in its absolute discretion, determine at any time that there is a fast market or there is no longer a fast market. A fast market may be determined by the Exchange in circumstances including, but not limited to, where the nominal price of the security is highly volatile over a short period of time.

Operation Procedures for Stamp Duty Collection

2. GENERAL

2.1 Stamp duty chargeable under the Stamp Duty Ordinance shall be payable to the Exchange on each and every contract note issued in respect of all transactions recognized by the Exchange on a Trading Day (T day) basis unless the transaction is:

- (a) a Market Maker jobbing transaction;
- (b) an Exchange Traded Fund underlying stock transaction; or
- (c) a sale or purchase transaction of a Dual Counter Security in connection with market making or liquidity providing activities performed by an Exchange Participant in its capacity as a Dual Counter Market Maker, which satisfies such conditions and requirements as prescribed by the Exchange from time to time to qualify for exemption from stamp duty (an “Eligible DCMM Transaction”)

as specified under Rule 1301.

3B. IDENTIFICATION OF ELIGIBLE DCMM TRANSACTIONS BY DUAL COUNTER MARKET MAKERS

- (1) In respect of a relevant Dual Counter Security for which a Dual Counter Market Maker has been granted a Dual Counter Market Maker permit, a Dual Counter Market Maker shall submit to the Exchange, prior to 10:15 a.m. on the trading day following T day (T+1 day), a completed Dual Counter Market Maker activity form to report all transactions made through the Market Making Central Gateway session(s) on T day according to the various categories of transactions specified on the form. The form shall be in such format and shall be submitted to the Exchange through the ECP or in such other manner as may be prescribed by the Exchange from time to time. The Dual Counter Market Maker shall also report in the Form SD-1 submitted by it to the Exchange under Clause 2.4 (a) the stamp duty exemption claimed with respect to the transactions included in its Dual Counter Market Maker activity form.
- (2) A Dual Counter Market Maker shall not claim a transaction as an Eligible DCMM Transaction in the Dual Counter Market Maker activity form or the Form SD-1 if the transaction concerned does not satisfy such conditions and requirements for stamp duty exemption as referred to under Clause 2.1(c).
- (3) The Exchange may, without prior notice to the Dual Counter Market Maker concerned, notify the Collector of Stamp Revenue immediately whenever it has reasonable grounds to believe that a transaction which does not fall under Clause 2.1(c) has been identified and reported as a transaction for stamp duty exemption in the Dual Counter Market Maker activity form or the Form SD-1.