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Hong Kong Exchanges and Clearing Limited is a recognized exchange controller under the Securities and Futures Ordinance which is the controller of The Stock Exchange of Hong Kong Limited, Hong Kong Futures Exchange Limited, Hong Kong Securities Clearing Company Limited, The SEHK Options Clearing House Limited, HKFE Clearing Corporation Limited and OTC Clearing Hong Kong Limited.

通告 CIRCULAR

Subject: Compliance Bulletin (Issue No. 13) – (1) Investor Eligibility Requirement for Trading of ChiNext Shares, and (2) Large Open Positions (“LOP”) Reporting Requirements during Holiday Trading Days

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As part of our continuous efforts to promote transparency and a compliance culture in our marketplace, Hong Kong Exchanges and Clearing Limited (“**HKEX**”) has prepared this Compliance Bulletin to offer the industry a better understanding of our enforcement work and regulatory expectations. It serves as a reminder on some salient points in relation to (1) Investor Eligibility Requirement for Trading of ChiNext Shares; and (2) LOP reporting requirements during the Holiday Trading Days.

(1) Investor Eligibility Requirement for Trading of ChiNext Shares

Reference is made to the circular (Ref. No.: [CT/013/25](#)) dated 10 February 2025 regarding the newly admitted ChiNext shares with stock codes starting with **302XXX**.

The Stock Exchange of Hong Kong Limited (“**SEHK**”) noted that certain China Connect Exchange Participants (“**CCEP**”) had inadvertently misplaced order instruction for clients that are not Institutional Professional Investors (“**IPI**”) to trade the newly admitted ChiNext shares.

SEHK would like to remind CCEPs and Trade-through Exchange Participants (“**TTEP**”) that trading of ChiNext shares is permitted for IPIs only. With reference to Rules 14B06(16) to (18) of the Rules of the Exchange, a CCEP shall not accept any instruction to buy or sell ChiNext shares for any clients unless it is reasonably satisfied that the client is an IPI.

SEHK would like to further remind CCEPs and TTEPs that:

- They should have appropriate controls (including regular and appropriate post-trade review which covers all clients including the underlying clients of intermediary broker clients) in place to prevent non-compliance with the relevant requirements and necessary measures to rectify breaches;
- They should have prior arrangements with their clients to facilitate the unwinding of ineligible ChiNext transactions of non-IPs as soon as possible; and
- In case of any rule violations under the Rules of the Exchange and/or any other rules or regulations under HKEX, they should report the relevant incident to HKEX as soon as possible.

For more information on the investor eligibility requirements for trading of ChiNext shares and STAR shares¹, please refer to the [Stock Connect Frequently Asked Questions](#).

HKEX takes any breaches of rules seriously and may commence disciplinary actions against participants in accordance with the relevant rules and regulations.

(2) Reminder on LOP Reporting Requirements during Holiday Trading Days (“H-Day(s)”)

Reference is made to the circular published on 7 April 2022 (Ref. No.: [MSM/003/2022](#)) regarding the LOP reporting procedures for Derivatives Holiday Trading. To ensure consistent compliance with the relevant LOP reporting procedures and requirements, Hong Kong Futures Exchange Limited (“HKFE”) would like to remind market participants of the following:

(i) LOP Report Submission during H-Days

Any person who holds a reportable position in Holiday Trading Exchange Contracts (“**H-Contracts**”) shall file a LOP report with HKFE by no later than 12:00 noon of the next Trading Day, regardless of whether it is a Hong Kong public holiday, after the positions are opened or accumulated. The LOP report shall continue to be made for as long as there is a reportable position in H-Contracts.

¹ Same investor eligibility requirement applies to the trading of STAR shares under Rules 14A06(13) to (15) of the Rules of the Exchange.

(ii) Possible Enforcement Actions against Non-compliance of LOP Reporting Requirements

Any failure to comply with the LOP reporting procedures and requirements for H-Contracts during H-Days may result in the following possible enforcement actions by HKFE:

(a) Holiday Trading Exchange Participant (“Holiday Trading EP”)

HKFE may impose, depending on the seriousness, a summary fine and/or take further disciplinary actions against a Holiday Trading EP for any non-compliance of the LOP reporting requirements in accordance with the Rules, Regulations and Procedures of Hong Kong Futures Exchange Limited (“**HKFE Rules**”).

(b) A person other than a Holiday Trading EP

Pursuant to Rule 630(a) of the HKFE Rules, where HKFE has grounds to believe that any person has failed to comply with the LOP reporting requirements, HKFE may prescribe the maximum number or value of long or short H-Contracts in respect of any Market which any Holiday Trading EP or Holiday Trading EPs is/are permitted to buy or sell on behalf of such person.

In addition, HKFE has introduced a 3-level progressive enforcement measure against non-compliance of the LOP reporting requirements by a client of Holiday Trading EP (**see Table below**). Based on the number of non-compliance occurrences, HKFE will notify the Holiday Trading EP(s) of the actions that they have to take against their non-compliant clients. If a Holiday Trading EP fails to act in accordance with the HKFE’s direction, HKFE may impose a summary fine or take further disciplinary actions against such EP in accordance with the HKFE Rules.

Progressive Trading Limit Reduction

Frequency of non-compliance	Actions to be taken
First non-compliance	<p style="text-align: center;"><u>Level 1</u></p> <ul style="list-style-type: none"> ▪ Holiday Trading EP(s) to issue a written warning to the concerned client(s) to communicate the possible consequence of any repeated non-compliance
Second non-compliance within a rolling six-month period	<p style="text-align: center;"><u>Level 2</u></p> <ul style="list-style-type: none"> ▪ Holiday Trading EP(s) to reduce the trading limit of the concerned client(s) in H-Contracts by 50% on the H-Day(s) as prescribed in the HKFE notification ▪ Such reduction will be imposed for a H-Day or consecutive H-Days
Further incident of non-compliance within a rolling six-month period	<p style="text-align: center;"><u>Level 3</u></p> <ul style="list-style-type: none"> ▪ Holiday Trading EP(s) shall not buy or sell any H-Contracts on behalf of the concerned client(s) on the H-Day(s) as prescribed in the HKFE notification ▪ Such confinement will be imposed for a minimum of <u>two</u> H-Days or consecutive H-Days ▪ Prior approval from HKFE is required to resume trading on H-Day on behalf of the concerned client(s)

Note 1: All non-compliance incidents fall under consecutive H-Days are treated as one non-compliance.

Note 2: Transactions for position closeout are permitted under Level 2 and Level 3 progressive measures.

For any serious non-compliance, including non-cooperative and/or non-responsive manner that caused late rectification, HKFE will impose the Level 3 measure immediately.

In this regard, Holiday Trading EPs should put in place adequate controls and procedures to ensure compliance with the LOP reporting requirements at all times. Furthermore, Holiday Trading EPs should take all reasonable steps to inform their clients of the LOP reporting procedures and requirements related to H-Contracts during H-Days.

HKEX would like to point out that the requirements and examples (if any) set out in this Compliance Bulletin are by no means exhaustive. They are intended for general reference only and should not be construed as legal advice. All liabilities with respect to actions taken or not taken based on the contents of this circular are hereby expressly disclaimed. All participants should always take into consideration their own circumstances to ensure full compliance with the relevant rules and requirements and seek their own professional advice on their specific situation where appropriate.

Participants are strongly advised to review their current set up and implement appropriate measures to strengthen their controls, and where necessary, take appropriate actions to address any potential rule breaches or deficiencies.

Participants are also encouraged to contact the Market Surveillance and Monitoring Department (email: lophkfe@hkex.com.hk / surveillance@hkex.com.hk) should they have any questions on the above.

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