HKEX
香港交易所

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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. 19) –**

(1) Standard Penalties under HKEX Rules;

(2) Participants' Obligation to Make Timely Submissions to HKEX;

(3) Client Protection Measures; and

(4) Updated Guidelines on Client Margin Requirements

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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 to all relevant Exchange Participants ("**EPs**") and Clearing Participants ("**CPs**") (collectively "**Participants**") on some salient points in relation to:

(1) Standard Penalties under HKEX Rules;

(2) Participants' Obligation to Make Timely Submissions to HKEX;

(3) Client Protection Measures; and

(4) Updated Guidelines on Client Margin Requirements under Rule 617 of the Rules, Regulations and Procedures of the Hong Kong Futures Exchange Limited ("**HKFE**") ("**HKFE Rules**").

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(1) Standard Penalties under HKEX Rules

Participants are expected to keep abreast of all relevant HKEX rules and regulations applicable to them at all times. HKEX takes any rule breaches seriously and may consider taking disciplinary actions against any non-compliant Participants, including issuance of warning letter, imposition of fine and initiation of disciplinary proceedings.

Accordingly, Participants are reminded that standard penalties may be imposed under the exchange and clearing rules for certain offences ("**Summary Fine Offences**") as set out below. These offences include the failure to comply with: (i) investor eligibility requirements; (ii) certain submission requirements under the Hong Kong Investor Identification Regime ("**HKIDR**"); (iii) settlement obligations towards the clearing houses; and (iv) capital-based position limit ("**CBPL**").

The Stock Exchange of Hong Kong Limited ("SEHK")

(i) Investor Eligibility Requirements; and
(ii) HKIDR submission requirements under the Rules of the Exchange ("SEHK Rules")

Reference is made to circulars published in December 2021 (Ref. No.: LSD/091/2021) and March 2023 (Ref. No.: LSD/016/2023 and MSM/004/2023) which respectively requested SEHK EPs to note, amongst other things, the following Summary Fine Offences:

Rules Reference	Summary Fine Offences	Standard Penalties
▪ SEHK Rules Chapter 7 ▪ SEHK Disciplinary Procedures Part II and the Schedule of Penalties	**(1) Investor Eligibility Requirements** Failure of an EP, a China Connect EP or a Special Purpose Acquisition Companies EP to comply with the requirements under SEHK Rule 525A(2), Rule 14A06(15), Rule 14B06(18) or Rule 593(6), as the case may be, within a 12-month rolling period. **(2) HKIDR** Failure of a Relevant Regulated Intermediary, which is an EP, to comply with the requirements under SEHK Rules 538A(3), 538A(4), 538A(5), 538A(6)(d) and 538A(8), as the case may be, within a 12-month rolling period.	First offence Issuance of a warning letter Second offence A fine of HK$25,000 Third offence A fine of HK$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 of the Disciplinary Procedures

<u>Hong Kong Securities Clearing Company Limited (“HKSCC”), HKFE Clearing Corporation Limited (“HKCC”) and The SEHK Options Clearing House Limited (“SEOCH”) (collectively the “Clearing Houses”)</u>

(iii) Settlement Obligations towards the Clearing Houses; and
(iv) CBPL respectively under the Rules and Procedures of HKCC (“HKCC Rules”), General Rules of HKSCC (“HKSCC Rules”) and Options Clearing Rules of SEOCH (“SEOCH Rules”)

In addition, CPs should note the circulars published in March 2019 (Ref No.: MSM/003/2019 – HKSCC/HKCC/SEOCH) and March 2023 (Ref No.: MSM/004/2023), which stated, amongst other things, that without prejudice to any other action that the relevant clearing house may take against the non-compliant CP, the standard penalties summarized below shall apply:

<table>
<tr><th>Clearing House</th><th>Rules Reference</th><th>Summary Fine Offences</th><th>Standard Penalties</th></tr>
<tr><td>HKSCC</td><td>▪ HKSCC Rule 2008
▪ Section 20.5.2 of the HKSCC Operational Procedures</td><td>Late payment of any settlement amount or failure to comply with any collateral requirement due to operations oversight or other minor mistakes.</td><td rowspan="3"><u>First offence</u>
Issuance of a compliance advice letter

<u>Second offence</u>
Issuance of a warning letter and a fine of HK$10,000

<u>Third offence</u>
Issuance of a warning letter and a fine of HK$25,000

<u>Fourth offence</u>
Refer case to Disciplinary Committee</td></tr>
<tr><td>HKCC</td><td>▪ HKCC Rule 527</td><td>1. A late payment of any settlement amount, variation adjustment or margin due to operations oversight or other minor mistakes.

2. A breach of CBPL[1]</td></tr>
<tr><td>SEOCH</td><td>▪ SEOCH Rule 807</td><td>1. A late payment of Premium, Settlement Amount or margin due to operations oversight or other minor mistakes

2. A breach of CBPL[2]</td></tr>
</table>

The standard penalties set out in this Compliance Bulletin are subject to HKEX’s ongoing review. HKEX may revise or enhance the standard penalty regime from time to time to ensure that it remains effective and proportionate. Any such changes will be communicated to Participants through a separate publication by HKEX.

[1] Unless, in the case of a breach of position limit during the T Session, the breach is remedied by the HKCC Participant within 10 Business Days as provided under section 5.2 of the HKCC Clearing Procedures.
[2] Unless the breach is remedied by the SEOCH Participant within 10 Business Days as provided under Section 12.5 of the Operational Clearing Procedures.

(2) Participants' Obligation to Make Timely Submissions to HKEX

Under the Annual Attestation and Inspection Programme, Participants are required to complete and return the Annual Self-attestation of Compliance Questionnaire (the "**Questionnaire**") in the form prescribed by the Exchange by the specified deadline on an annual basis. Through the Questionnaire, Participants are required to attest their compliance with the applicable rules and requirements during the prescribed review period. This requirement forms part of the Participants' obligations under SEHK Rule 569(3)(b), HKFE Rule 535, HKCC Rule 214A(a)(iv), HKSCC Rule 1703 and SEOCH Rule 403F(4).

Any late, incomplete or inaccurate submission of information, records or documents requested by HKEX, including the Questionnaire, will be taken seriously. HKEX may take appropriate corrective actions, including disciplinary action(s) where warranted, in accordance with the relevant rules and regulations. Participants are reminded of the importance of complying with these obligations and responding to HKEX's requests in a timely and diligent manner.

(3) Client Protection Measures

Further to HKEX's previous publications in June 2025 (Ref. No.: MSM/007/2025), EPs are reminded to implement and maintain appropriate measures to prevent and manage unauthorized trading incidents for their clients. EPs should also note the circular published by HKFE in December 2025 on control measures to prevent Error Trades (Ref. No.: MO/DT/265/25), and by SEHK in March 2026 on the accuracy of order inputs and the requirements for the trade cancellation/amendment (Ref. No.: CT/025/26).

EPs are reminded to maintain adequate controls, procedures and contingency arrangements to ensure their capability to submit and process error trade claims, trade cancellation requests and trade amendment requests in accordance with the applicable requirements when the need arises. EPs are also reminded to observe the relevant eligibility requirements and procedures when submitting requests for trade cancellation / amendment in the cash market, or error trade claims in the derivatives market.

Key requirements are highlighted as follows:

(i) Trade Cancellation / Amendment in the Cash Market[3]

- All trades concluded shall not be amended or cancelled unless otherwise determined by the Board of the SEHK.
- Under the current procedures for approving trade cancellation / amendment, the cancellation and/or amendment **must be agreed by both the selling and buying parties**.
- Trade cancellation / amendment requests will only be considered if they are submitted **within the prescribed time limit** under SEHK Rule 528.

(ii) Error Trade Claim in the Derivatives Market[4]

- EPs that are original parties to a transaction on HKATS can file error trade claims to the relevant Exchange if the trades **deviated from the established Error Trade Price Parameters**[5].
- The claim must be made **within the prescribed time limit** under HKFE Rule 819B for Futures and Index Options, and Rule 540 under the Options Trading Rules of the Stock Exchange for Stock Options.
- Claim details must be included as specified in the relevant Exchange's circulars[6].

For the avoidance of doubt, it is the responsibility of the EPs, not their clients, to submit the request, with all necessary information and supporting documents for trade cancellation / amendment in the cash market, or error trade claim in the derivatives market to the relevant exchange on time.

[3] For any enquiries, participants may reach out to Participant General Enquiry Hotline (Tel: 2840 3626 Email: trd@hkex.com.hk)
[4] For any enquiries, participants may reach out to HKATS Hotline at Tel: 2211-6360
[5] For details on the Error Trade Price Parameters, please visit HKEX webpage at Error Trade Handling Procedures
[6] Please refer to circulars, Ref. No. MO/DT/103/17 for futures and index options, and MO/DT/104/17 for stock options

(4) **Updated Guidelines on Client Margin Requirements under HKFE Rule 617**

Reference is made to the circulars issued by HKFE (Ref. No.: MSM/009/2026) and HKCC (Ref. No.: MSM/010/2026) on 21 September 2026 regarding updates to the "*Guidelines on Margin Procedures for the Purpose of Minimum Requirement pursuant to HKFE Rule 617*" ("**Guidelines**") following the announced phased changes to the client margin requirements. The updated Guidelines shall replace and supersede the previous version of the Guidelines set out in the circular dated 31 October 2024 (Ref. No.: MSM/010/2024), and are intended to reflect the relevant existing requirements, guidance and market practices previously communicated by HKFE. The updated Guidelines should also be read in conjunction with other publications issued by HKFE from time to time.

Participants should review the updated Guidelines and take this opportunity to review their existing arrangements and implement appropriate controls and measures to ensure ongoing compliance with the relevant requirements.

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. 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 setup 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: surveillance@hkex.com.hk) should they have any questions on the above.

Felix Wang
Head of Market Surveillance and Monitoring
Operations Division

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.