

獲取 / 放棄證券莊家執照申請之解釋說明
Explanatory Notes for Acquisition / Surrender of Securities Market Maker Permit(s)

一般資料
General Information

1. 申請人須注意，若所呈交之申請未有附上解釋說明內所列明的所須表格及文件，香港交易及結算所有限公司（「香港交易所」）將不作處理，有關的申請將退回申請人。
Applicants should note that Hong Kong Exchanges and Clearing Limited ("HKEX") will not process an application that is not accompanied by all the required forms and documents stated in these notes and will return the applications to the applicant.
2. 若申請人欲安裝新一套莊家專用交易設備以進行莊家活動，請致電 2840-3626 與香港交易所的參與者一般查詢熱線聯絡。
Applicants who wish to subscribe new market making trading device for conducting the market making activities shall contact HKEX – Participant General Enquiry Hotline at 2840-3626.
3. 申請表格可於香港交易所網址 www.hkex.com.hk 下載。
Application forms are available at the web-site of HKEX at www.hkex.com.hk.

申請獲取證券莊家執照之所須文件
Documents Required for Application for Securities Market Maker Permit(s)

申請人須提交：

Applicant shall provide:-

1. 表格 10 (獲取/放棄證券莊家執照申請) ；
Form 10 (Application for Acquisition / Surrender of Securities Market Maker Permit(s));
2. Internal Report (請參閱附上之 Internal Report 指引) ；
Internal Report (Please read the attached Guidelines for Internal Report);
3. 證明其聯號為一受監管者、其信貸評級為 A-或以上 (標準普爾) ，或 A3 或以上 (穆迪) 或其繳足股本不少於港幣 50,000,000 元及股東權益不少於港幣 100,000,000 元 (只適用於將莊家盤登記於其聯號賬戶的申請人) ；及
Documentary evidence showing that the affiliate is a regulated entity, has a credit rating of A- or above (Standard & Poors) or A3 or above (Moody's) or has a paid-up share capital and shareholders' funds of not less than HK\$50,000,000 and HK\$100,000,000 respectively (only applicable to Applicants who will book their market making positions to their affiliates); and
4. 如適用，表格 10A (特許證券商註冊 / 撤銷註冊申請) 。
If applicable, Form 10A (Application for Registration / Removal of Designated Specialist).

申請放棄證券莊家執照之所須文件
Documents Required for Surrender of Securities Market Maker Permit(s)

1. 表格 10 (獲取/放棄證券莊家執照申請) 。
- Form 10 (Application for Acquisition / Surrender of Securities Market Maker Permit(s))

THE STOCK EXCHANGE OF HONG KONG LIMITED

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

Guidelines for Internal Report

Introduction

In application for a Securities Market Maker permit and having market making orders for its own account or for its affiliate's account, an Exchange Participant ("applicant") is required to: -

- (i) submit an internal report ("Report") giving information on the risk management policy of the applicant and describing the systems, controls and internal procedures that it intends to adopt or has adopted in regard to market making on the Exchange;
- (ii) include in the Report the information on the core operations and risk management controls of both the applicant and the affiliate, where applicable, insofar as they relate to Securities Market Making on the Exchange; and
- (iii) include in the Report the information on the applicant's readiness for conducting market making activities for securities traded and settled in RMB, where applicable.

Unless otherwise stated, terms used in these Guidelines shall have the same meanings as defined in the Rules of the Exchange of The Stock Exchange of Hong Kong Limited ("Rules of the Exchange").

Areas to be covered in the Report

1. Overview of the market making business

Brief descriptions of set up of the business, its core operation systems and key personnel, including: -

- business structure and set up for the market making activities (providing details of the affiliate, where applicable);
- core operations of front and back offices for the market making activities;
- a description of the background, experience, role and responsibility of key personnel; and
- trading strategy and policy.

2. Financial standing

The applicant and the affiliate, where applicable, should have and employ effectively the resources and procedures, which are needed for the proper performance of the market making activities. The applicant should provide the following information: -

- financial information of the applicant and the affiliate, where applicable;
- controls and procedures to ensure compliance with the financial requirements of the Exchange; and
- controls and procedures to meet the settlement obligation towards the clearing houses.

3. Risk management

The framework of risk management policy and procedures of the applicant and the affiliate, where applicable, on the market making activities, specifically including the following: -

- policy and procedures for setting trading strategy, trading and position limits, and risk parameter for pricing and risk monitoring;
- list of risk management reports reviewed by the management and risk management personnel and frequency of such review;
- risk management measures to quantify the exposure of the applicant and the affiliate (using an acceptable methodology to mark-to-market and to identify concentrations), where applicable;
- controls and procedures in ensuring the implementation of the risk management policy and procedures of the applicant and the affiliate, where applicable; and
- controls ensuring the affiliate comply with the requirements for a Market Making Affiliate set out in the "Treatments of Securities Market Maker Positions" on an ongoing basis (see attachment).

4. Records

The applicant should keep and maintain sufficient trading records of the market making activities. The Report should include description of the following: -

- list of accounts and reports to be kept and the frequency of the reports (keep separate accounts for the affiliate's market maker trades, own market maker trades and affiliate's trades and own trades which are not for the purpose of market making; and separate accounts for each Designated Specialist); and
- controls in place to reconcile the executed trades and outstanding position to third party statements (such as reports from the clearing houses and the Exchange) from the reports generated by the pricing, risk monitoring and back office systems.

5. Computer and security

A description of the computer system to be used and internal security procedures, including:-

- software to be used for the pricing, risk monitoring and back office processing;
- source of the software and applicant's experience in the software. If newly self-developed software is used, details of training provided to the staff and testing of the software;
- history of major failure of the software, if appropriate; and
- the internal security procedures in place, including controls to restrict access to the computer system by password and User ID to prevent unauthorized amendment to the data and software.

6. Readiness for conducting market making activities for securities traded and settled in RMB

The applicant should review its readiness for conducting the market making activities for securities traded and settled in RMB. The applicant should provide the following information: -

- confirmation of the applicant's readiness for trading and/or clearing in SEHK-listed RMB denominated securities by reference to the [Checklist to facilitate Participants' review of readiness for Listed Renminbi \("RMB"\) Securities Business](#) issued by the Securities and Futures Commission on 17 March 2011; and
- arrangements and/or controls to source sufficient RMB to meet the settlement obligation towards the clearing houses¹.

The above areas are by no means exhaustive. The applicant should include any additional procedures, which they consider necessary to address the risks to which the applicant and the affiliate's assets are exposed and the liabilities that might incur.

¹. Where the applicant is a Non Clearing Participant, the applicant should also provide confirmation by its General Clearing Participant ("GCP") of the readiness of the GCP for clearing securities in RMB listed on the Exchange by reference to the Checklist.

THE STOCK EXCHANGE OF HONG KONG LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

SECURITIES MARKET MAKING

AT

THE STOCK EXCHANGE OF HONG KONG

TREATMENTS OF SECURITIES MARKET MAKER POSITIONS

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1. INTRODUCTION

This document covers a specific aspect of market making under the Securities which is not covered in the Rules of the Exchange.

Section 2 describes the alternative ways in which market maker positions may be treated in the books of an Exchange Participant so as to reduce the inefficiencies associated with the conventional financial reporting treatment of portfolio trading positions in an Exchange Participant.

Other aspects of market making are covered in the following documents which are available from the Exchange:

Trading Rules

- Terms under which a market maker permit is granted
- Performance obligations of market makers
- Exemptions to performance obligations
- General rules governing market making

2. ALTERNATIVES FOR THE TREATMENT OF MARKET MAKER POSITIONS

The standard terms under which Exchange Participants are granted a market maker permit require that all positions be booked in the name of the Exchange firm itself, beneficially held by the firm and not on behalf of any other entity. It is also assumed that the treatment of market maker positions will be in accordance with existing Rules of the Exchange and the Financial Resources Rules (“FRR”).

However, the Exchange recognizes that there may be circumstances where the interests of the market would not be harmed by allowing alternatives.

There are two mutually exclusive alternatives to the standard arrangement. An Exchange Participant may choose one (but only one) of the following structures, subject to meeting certain criteria:

1. The market maker positions may be beneficially held by an affiliate of the Exchange Participant.
2. Certain modifications may be permitted to the way in which liquid capital is assessed under the Financial Resources Rules.

If the Market Maker is not operating under the standard terms, he must declare which of these methods he will adopt. We will deal with the requirements separately.

2.1 Requirements for a Market Making Affiliate

If the firm holds its market maker positions in the accounts of an affiliate, then there must be only *one* such affiliate and all the Exchange Participant's market maker business at any one time must be in the name of that affiliate. It is not permitted that there be more than one market maker affiliate per Exchange Participant.

All proprietary trading or trading done on behalf of affiliates for the affiliate's own account which is not for the direct purpose of market making must be recorded separately.

Any affiliate which is a client for the purpose of market making activities must meet *at least one* of the following criteria.

1A. Regulated Entity

A regulated entity is one regulated by an exchange, clearing house, independent authority or commission which is acceptable to the Exchange.

The following provisions will apply to these arrangements, initially and on an ongoing basis:

- i. The Exchange must be able to verify with the appropriate regulatory body that the entity is not in breach of any of that body's rules or regulations;
- ii. Any breaches of those rules or relevant findings by the regulator must be reported to the Exchange Participant who will then report them to the Exchange;
- iii. Annual audited accounts and report submitted to the regulator (in English) for the affiliate will be given to the Exchange; and

- iv. The Exchange Participant will report immediately to the Exchange if the affiliate ceases to be subject to the oversight of the regulator.

Moreover, the Exchange Participant must ensure that the affiliate complies with all the obligations of a client as laid out in the Rules of the Exchange.

or

1B. Credit Rating

The affiliate must have and must maintain a current credit rating of A- or above (Standard & Poors) or A3 or above (Moody's).

or

1C. Paid-Up Capital and Shareholders' Funds

The paid-up capital of the entity must be at least equal to the equivalent of HK\$50,000,000 *and* its shareholders' funds must be at least the equivalent of HK\$100,000,000 at all times. Annual audited accounts must be presented together with re-confirmation by an external auditor, at least once between annual audits (viz. six months after the annual audit is completed), that the paid-up capital and the shareholders' funds exceed these levels. See Attachment 1 for details.

or

1D. Others

Other exemptions may be sought for special cases but it is not envisaged that exemptions will be granted other than in exceptional circumstances.

2.2 FRR Modifications Permitted for Market Maker Positions

Those firms which elect for market making in the Exchange Participant's own account (i.e. not in the name of an affiliate) and which wish to apply for a modification to the calculation of liquid capital should notify the Exchange that they wish to apply to the SFC for modifications under the FRR for their market maker positions.

Applicants for FRR modification will be required to comply with whatever conditions and timing requirements to be imposed by the SFC on a case-by-case basis.

2.3 Internal Report

The Exchange Participant should also prepare a brief report giving information on the risk management policy of the company and describing the systems, controls and internal procedures that it intends to adopt or has adopted in regard to market making on the Exchange. The purpose of this report is to give the Exchange and, where applicable, the SFC an overview of the operations so as to understand better the context in which market making is carried out.

The report, to be submitted at the time of application, can be in a free format but at a minimum should provide an account of the risk management policy and the systems, internal controls and procedures which are established for executing the policy. There

should also be an account of the organisation structure and details of the personnel who are responsible for risk management within the operation and, where applicable, within affiliated or associated companies who are involved in the execution of the market making business.

2.4 Applications

Exchange Participants who wish to apply for exemptions in respect of affiliates should write in the first instance to:

Participant Services, Cash Trading
Hong Kong Exchanges and Clearing Limited
6/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

Requirements for Market Makers applying to hold positions in an affiliate

Certification of Paid-Up Capital and Shareholders' Funds of an Affiliate

For an affiliate holding market maker positions under the criteria that its paid-up capital and shareholders' funds must be not less than the equivalent of HK\$ 50 million and HK\$100 million respectively at all times, it must submit to the Exchange the following documents :-

- (a) its annual audited accounts not later than four months following the year end date; and
- (b) its half-yearly management accounts which must at least contain the balance sheet, profit and loss accounts and the full notes to the accounts. The management accounts should be certified by the external auditors in accordance with section A below and should be submitted within 2 months following the period end date.

A. Terms of reference for the External Review of Management Accounts and Certification of Paid-up Capital and Shareholders' Funds

This report should be based on the management accounts of the company as at 6 months after the year end date. The report shall be presented to the Exchange within two months of the reporting date.

- (1) To certify that the management accounts as at the reporting date are correctly compiled from the books and records.
- (2) To review the bank reconciliations for all bank balances as at the reporting date to ensure that large and unusual reconciling items can be satisfactorily explained.
- (3) To review the subsequent settlement of receivables (including clients, brokers, group companies and others) to ensure the fairness of the provision for bad and doubtful debts, if any.
- (4) To verify the existence, ownership and valuation of securities and other assets held by the company at the reporting date.
- (5) To ensure that the management accounts disclose the following information related to any unrecorded liabilities and contingent liabilities which may not have been reflected in the management accounts as at the reporting date.
 - (a) the nature of the unrecorded liabilities or contingent liabilities; and
 - (b) an estimate of the financial effect.
- (6) To ensure that the management accounts disclose any change of accounting policies and deviation from generally accepted accounting principles which are judged material or critical in determining profit or loss for the period and in stating the financial position and changes therein.
- (7) To confirm that all material adjusting post balance sheet events have been included in the management accounts.

- (8) To ensure that the management accounts disclose the following information related to any material non-adjusting post balance sheet event :-
 - (a) the nature of the event; and
 - (b) an estimate of the financial effect.
- (9) To ensure that the management accounts disclose any off balance sheet exposure.
- (10) To obtain all the information and explanations which to the best of the auditor's knowledge and belief were necessary for the purpose of the review.

Order Input Requirements for Securities Market Makers

1. Except for a down-tick short sell order, each market making order (buy or sell) must be identified by entering “MMM” as the first three characters of the “Text” / “Ref” field.
2. Order input formats

(i) Securities Market Makers using OCG/BSS

Below is a summary of the order message requirements for different fields:

Orders	“Side” 1 = Buy 2 = Sell 5 = Sell Short	“Order Restrictions” 5 = Acting as Market Maker or Specialist in Security	First 3 characters in “Text” field
(A) Short Sell			
- Downtick ^{Note}	5	5	No specific input required
- Non-downtick	5	N/A	MMM
(B) Buy	1	N/A	MMM
(C) Long Sell	2	N/A	MMM

(ii) Securities Market Makers using OCG/NSTD

Below is a summary of the input formats:

Orders	“SS” Indicator	First 3 digits in “Ref” field
(A) Short Sell		
- Downtick ^{Note}	M	No specific input required
- Non-downtick	Y	MMM
(B) Buy	N	MMM
(C) Long Sell	N	MMM

3. Securities Market Makers must comply with these input requirements and other regulations set out in the Fourteenth Schedule of the Rules of the Exchange.

Note:

Downtick short sell order means order at price below the best current ask price.