

特許證券商註冊 / 撤銷註冊申請之解釋說明  
**Explanatory Notes for Application for Registration / Removal of Designated Specialist**

**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。  
**Applicant 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 application to the applicant.**
2. 申請註冊特許證券商之申請人一定要為每一位特許證券商安裝莊家專用 OCG 會話以進行其莊家活動。若申請人欲安裝新一套莊家專用 OCG 會話，請致電 2840-3626 與香港交易所的參與者一般查詢熱線聯絡。  
Applicant applying for registration of Designated Specialist must have in place a dedicated market making OCG session for each Designated Specialist for conducting the market making activities. Applicant who wishes to subscribe a new OCG session 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](http://www.hkex.com.hk) 下載。  
Application forms are available at the web-site of HKEX at [www.hkex.com.hk](http://www.hkex.com.hk).

**申請註冊特許證券商之所須文件**  
**Documents Required for Application for Registration of Designated Specialist**

申請人須提交：

Applicant shall provide:-

1. 表格 10A (特許證券商註冊 / 撤銷註冊申請)。  
Form 10A (Application for Registration / Removal of Designated Specialist);
2. Internal Report (請參閱附上之 Internal Report 指引，只供英文版)；及  
Internal Report (Please read the attached Guidelines for Internal Report); and
3. 證明文件以確認申請註冊為特許證券商之公司客戶符合至少下列其中一項之條件:-  
Documentary evidence showing that the corporate client to be registered as a Designated Specialist has satisfied at least one of the following conditions:-
  - 已就《證券及期貨條例》所規管之第 1 類或第 2 類活動獲證監會發牌或註冊之持牌機構，或獲與證監會有共享市場監管信息諒解備忘錄之海外監管機構發牌或註冊以進行類近活動的機構；  
it is an entity licensed by or registered with the SFC for Type 1 or Type 2 regulated activities under the Securities and Futures Ordinance, or licensed or registered for similar activity by an overseas authority having a memorandum of understanding with the SFC for the sharing of market surveillance information;
  - 受香港聯合交易所有限公司（「聯交所」）認可的監管機構所監管的持牌銀行；  
it is an entity which is a licensed bank regulated by an authority acceptable to The Stock Exchange of Hong Kong Limited ("SEHK");
  - 維持標準普爾長期信用評級為 A-或以上，或穆迪長期信用評級為 A3 或以上的機構；或  
it is an entity which has maintained a current long-term credit rating of A- or above (Standard & Poor's) or A3 or above (Moody's); or

- 持有已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 元的機構。  
it has maintained a paid-up capital of at least HK\$50,000,000 and shareholders' funds of at least HK\$100,000,000.

#### **申請撤銷特許證券商註冊之所須文件**

#### **Documents Required for Removal of Designated Specialist**

申請人須提交：

Applicant shall provide:-

1. 表格 10A ( 特許證券商註冊 / 撤銷註冊申請 ) 。  
Form 10A (Application for Registration / Removal of Designated Specialist).

# 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 the registration of Designated Specialist, an Exchange Participant (“applicant”) is required to: -

- (i) submit an internal report (“Report”) giving information on the risk management policy and control of the applicant on its proposed Designated Specialist and describing the systems, controls and internal procedures that it intends to adopt or has adopted in regard to market making on the Exchange; and
- (ii) 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 proposed Designated Specialist);
- 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 the name, contact telephone number and email address of each key personnel of the Designated Specialist under its registration who is responsible for overseeing market making activities; and
- trading strategies and policies.

#### 2. Financial standing

The applicant 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;
- 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 for the registration of Designated Specialist on the market making activities, specifically including the following: -

- policy and procedures for setting trading and position limits for the Designated Specialist;
- list of risk management reports reviewed by the management and risk management personnel and frequency of such review;
- settlement arrangement between the applicant and the Designated Specialist and the consequence of the Designated Specialist's failure to meet its settlement obligation due to the applicant, including the actions which the applicant may be entitled to take;
- controls and procedures in ensuring the implementation of the risk management policy and procedures to monitor the Designated Specialist; and
- controls and procedures to monitor the compliance with Regulations (5B)(a) and (14F) of the Securities Market Maker Regulations ("Regulations") in the Fourteenth Schedule to the Exchange Rules.

In addition, the procedures to ensure that the Exchange is properly informed if the Designated Specialist fails to comply with the conditions set out in Regulation (5B)(a) or the Securities Market Maker's obligations set out in the Regulations; or the applicant becomes aware of any of the matters noted in Regulation (5B)(d).

### 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 its own market maker 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 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 houses<sup>1</sup>.

The above areas are by no means exhaustive. The applicant should include any additional procedures, which they consider necessary to address the risks to the assets of the applicant or the Designated Specialist under its registration may be exposed or to which major liabilities may be suffered by them.

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<sup>1</sup>. 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.

**Order Input Requirements for Securities Market Maker which has registered one or more Designated Specialist**

A) Market Making Activities

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 Maker using a designated market making OCG/BSS for conducting market making activities by each of its Designated Specialists

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

<b>Orders</b>	<b>“Side” 1 = Buy 2 = Sell 5 = Sell Short</b>	<b>“Order Restrictions” 5 = Acting as Market Maker or Specialist in Security</b>	<b>First 3 characters in “Text” field</b>
(A) Short Sell			
- Downtick <sup>Note</sup>	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 Maker using a designated market making OCG/NSTD for conducting market making activities by each of its Designated Specialists

Below is a summary of the input formats:

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

3. Securities Market Maker 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.

B) Liquidity Providing Activities

Each liquidity providing trade reported to the Exchange and recorded on the System must be identified by entering “ELP” as the first three characters of the “Text” / “Ref” field.