



2026
ANNUAL ATTESTATION &
INSPECTION PROGRAMME

OPERATIONS
MARKET SURVEILLANCE & MONITORING

HKEX
香港交易所

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Agenda

01 | Overview of HKEX Rule Enforcement Framework

02 | General Reminders

03 | 2026 Priority Areas

i. | Trading and Deviated Price Risk Controls

ii. | Risk Management



Overview of HKEX Rule Enforcement Framework



HKEX Rule Enforcement – Key Principles

Prevention

- Enhance industry understanding of HKEX Rules through:
 - ✓ Briefing sessions
 - ✓ Compliance Bulletin
 - ✓ Circulars, FAQs, guidance notes and reminders
 - ✓ Compliance sharing

Detection

- Identify non-compliance through daily monitoring and self-reporting by Exchange Participants / Clearing Participants
- Conduct **Annual Attestation and Inspection Programme**:
 - ✓ Self-attestation of compliance with HKEX Rules
 - ✓ Onsite inspection
 - ✓ Thematic review

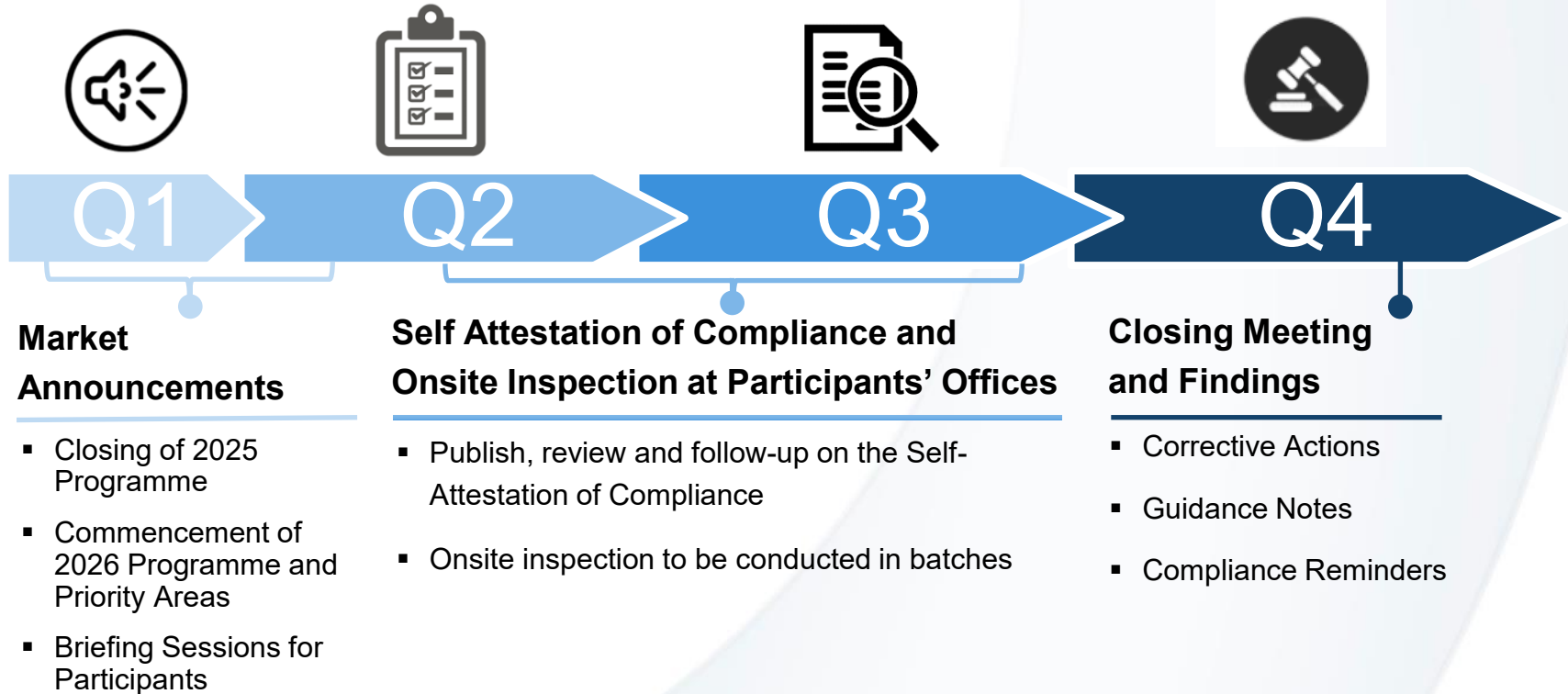
Correction

- Pursue corrective actions, depending on seriousness of breaches and violations:
 - ✓ Rectification measures
 - ✓ Standard Penalties
 - ✓ Disciplinary Proceedings



Annual Attestation and Inspection Programme

Timeline



Annual Attestation and Inspection Programme

Self-Attestation of Compliance

- Apply to **ALL Exchange Participants¹ and Clearing Participants²**
- Perform self assessment on compliance with relevant HKEX Rules
- Complete **Self-Attestation Questionnaire** prescribed by HKEX
- Submit the Questionnaire, along with any supporting documentation, via the **Electronic Communication Platform (“ECP”)**

Onsite Inspection

- Apply to **selected Exchange / Clearing Participants** based on risk assessment
- A more detailed evaluation of Exchange / Clearing Participants' compliance with the relevant HKEX Rules
- Inspectors will conduct **Onsite Inspection** at the participants' premises

¹ Exchange Participants of The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited (the “EPs”)

² (i) Clearing Participants and General Clearing Participants of HKFE Clearing Corporation Limited, (ii) Direct Clearing Participants, General Clearing Participants and Custodian Participants of Hong Kong Securities Clearing Company Limited, and (iii) Direct Clearing Participants and General Clearing Participants of The SEHK Options Clearing House (the “CPs”)



Onsite Inspection

Pre-Inspection Information Request

(4 weeks for participant to prepare and submit)

- Documents and records that can demonstrate compliance of the relevant rules should be submitted to the HKEX Inspectors prior to the onsite inspection meeting
- These documents and records can be:
 - ✓ Policies, guidelines, manuals and procedures
 - ✓ Workflow / System flow
 - ✓ Internal training materials and related records
 - ✓ Other relevant documents











During Onsite Inspection

(<2 days)

- In general, the following staffs should participate in the onsite inspection meeting with the HKEX Inspectors:
 - ✓ Responsible Officers
 - ✓ Senior management with oversight of the relevant Priority Areas
(e.g. Head of Operations, Head of Compliance, Head of Risk Management, business heads etc.)
 - ✓ Experienced staff of the responsible areas
- Staff attending the meeting will be expected to describe their policy and procedures, walk through workflow / system flow, explain internal controls and processes, and answer any queries from the HKEX Inspectors



Submission of Self-Attestation of Compliance via “ECP”

Participanship	Submission Folder ID
<p>SEHK (HKSCC/SEOCH)</p>  <p>OR</p> <p>SEHK + HKFE (Dual) (HKSCC/SEOCH/HKCC)</p>  	<p>Group 1</p> 
<p>HKFE (HKCC)</p> 	<p>Group 2</p> 
<p>HKSCC (Non-EP – General Clearing participants)</p> 	<p>Group 3</p> 
<p>HKSCC (Non-EP – Custodian participants)</p> 	<p>Group 4</p> 

Link to “ECP”: <https://ecp2.hkex.com.hk/>

“ECP” User Support Teams: <https://www.hkex.com.hk/-/media/HKEX-Market/Services/Trading/Securities/Stamp-Duty-Reporting-and-Payment/ECP-and-Documentation/ECP-User-Guide/ECP2-Application-Form.pdf>

“ECP” User Guide: https://www.hkex.com.hk/-/media/HKEX-Market/Services/Trading/Securities/Stamp-Duty-Reporting-and-Payment/ECP-and-Documentation/ECP-User-Guide/ECP2_frontend_userguide.pdf



Reminders on Attestation Submission

Participants should:

- Complete and submit on or before the submission deadline (**Participant who does not engage in the priority areas is *still* required to complete and submit the questionnaire**)
- Complete and submit in editable form (***Do not* modify the questionnaire or submit a scanned copy of the questionnaire**) - *Adobe Acrobat is recommended*
- Submit together with any supplementary information as **one file** in ".zip" format (**No other zip file (e.g. ".7z") and No multi-level folders within the zip file**) – *WinZip is recommended*
- Limit your zip file to **100MB max**
- Note the zip file naming convention:
 - (a) Group 1 (SEHK, HKSCC and SEOCH participants) - MSM01**M**_XXXXX_YYYYMMDD.zip; or
 - (b) Group 2 (HKFE and HKCC participants) - MSM04**F**_XXXXX_YYYYMMDD.zip; or
 - (c) Group 3 (General Clearing participants) - MSM01**G**_XXXXX_YYYYMMDD.zip; or
 - (d) Group 4 (Custodian participants) - MSM01**C**_XXXXX_YYYYMMDD.zip

All submissions must be complete, true, accurate and timely.



Reminders on Attestation Submission

The 2026 Self-Attestation of Compliance Questionnaire will be ...

- Announced via Participant Circular
- Published on [HKEX Rule Enforcement website](#)
- Embedded with data validation function

Action Now


- ✓ Subscribe to [HKEX News Alert](#)
- ✓ Make sure your “[ECP](#)” account is in *active* status

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<input type="checkbox"/>	3. Corporate News Releases Regulatory Announcements Market Communications
<input type="checkbox"/>	4. Updates to Rules and Guidance on Listing Matters
<input type="checkbox"/>	5. Updates to Trading Rules of the Stock and Futures Exchanges
<input type="checkbox"/>	6. Updates to the Rules of the Clearing Houses
<input type="checkbox"/>	7. Research Materials
<input checked="" type="checkbox"/>	8. Participant Circulares - The Stock Exchange of Hong Kong Limited (SEHK)
<input checked="" type="checkbox"/>	9. Participant Circulares - Hong Kong Securities Clearing Company Limited (HKSCC)
<input checked="" type="checkbox"/>	10. Participant Circulares - Hong Kong Futures Exchange Limited (HKFE)
<input checked="" type="checkbox"/>	11. Participant Circulares - HKFE Clearing Corporation Limited (HKCC)
<input checked="" type="checkbox"/>	12. Participant Circulares - The SEHK Options Clearing House Limited (SEOCH)
<input type="checkbox"/>	13. Member Circulares - OTC Clearing Hong Kong Limited (OTC Clear)



WELCOME TO THE ELECTRONIC COMMUNICATION PLATFORM (ECP)

Log on to the ECP through the following Authentication Systems:

(1) For SFC-licensed corporations and registered institutions

By logging onto this website via HKEX Access Management Portal or the SFC's WINGS platform, you are deemed to have read and accepted the Site Terms and Conditions for Electronic Communication Platform, and to have confirmed that the information entered personally data is disclosed to the use of this application consent to the processing of their personal data as accordance with the privacy policy statement as incorporated and supplemented in the Terms and Conditions.

Unauthorized access and use are prohibited. HKEX reserves the right to take actions against offenders.



General Reminders



General Reminders

	Common Deficiencies	Compliance Reminder
Policy and Procedures	<ul style="list-style-type: none">▪ Summarized applicable rules and regulations, but lacked details on controls to ensure compliance▪ Inadequate coverage in policies and procedures; some procedures set out details for only part of the controls, systems, or workflows▪ No regular review and revision	<ul style="list-style-type: none">▪ Establish comprehensive policies and procedures to ensure ongoing compliance with the relevant rules and requirements▪ Conduct regular review and revision to ensure policies and procedures remain consistent, effective and up to date
Training	<ul style="list-style-type: none">▪ Lack of adequate and product-specific training for responsible staff involved in the priority areas, both initially and on an ongoing basis▪ Some merely relied on on-the-job training through sharing and coaching by senior staff members▪ Lack of adequate audit trails for training record	<ul style="list-style-type: none">▪ To foster a culture of compliance, EPs should provide adequate and appropriate training to all responsible staff, both initially and on an ongoing basis



2026 Priority Areas



2026 Priority Areas

Trading and Deviated Price Risk Controls



Trading and Deviated Price Risk Controls

List of Enforcement Focus

- 1 Internal Controls over Deviated Price**
(HKFE Rule 522B and SEHK Rule 612¹)
- 2 Error Trades**
(HKFE Rule 819B & Options Trading Rule 540)
- 3 Large-Scale Error Trades**
(HKFE Rule 819BA & Options Trading Rule 540A)

Note 1:

As stipulated under Rule 106 of Options Trading Rules of Stock Exchange ("**Options Trading Rules**"), "To the extent capable of being construed as applicable and except as expressly disapplied or modified, the Exchange Rules shall apply to Options Exchange Participants in relation to the carrying on by them of Exchange Traded Options Business."



Trading and Deviated Price Risk Controls

Professional Conduct in Business and Trading

HKFE Rule 522B *Each Exchange Participant should have internal control procedures and financial and operational capabilities which can be reasonably expected to protect its operations, its Clients and other Exchange Participants from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions.*

SEHK Rule 612 *A Participant shall put in place adequate and effective internal policies, guidelines and/or control procedures to protect its operations, its clients, and other Participants from any loss (financially or otherwise) arising from theft, fraud, and other dishonest acts, professional misconduct or omissions and to ensure its compliance with the HKSCC Rules, the Clearing Rules, the Options Trading Rules, the Ordinance and these Rules.*

SFC Code of Conduct

Para. 18.7 Risk management: internet trading and DMA

Para. 18.11 Risk management: algorithmic trading

All HKFE and Options Trading Exchange Participants (collectively as “**EPs**” in rest of this section) should put in place appropriate risk controls regarding orders that are placed and trades that are executed on HKATS to **prevent the occurrence of Error Trades**.



Error Trades

Definitions under the HKFE Rules and Options Trading Rules

Under HKFE Rule 819B and Options Trading Rule 540,

Error Trade –

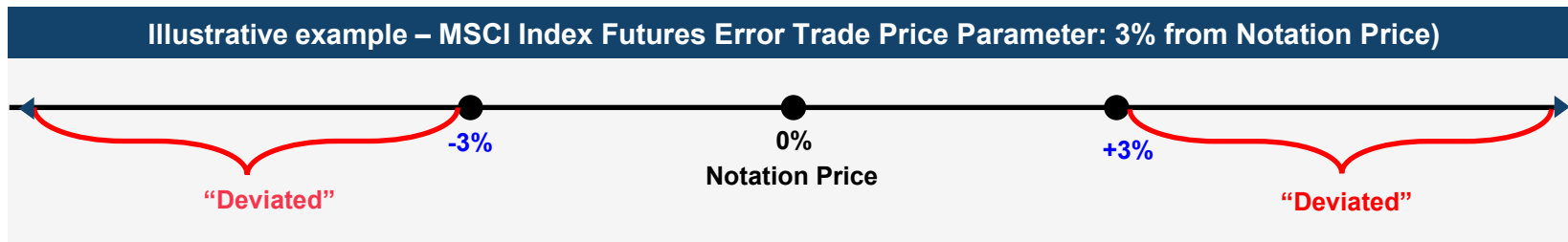
A trade took place at a level which **deviated** from the **Price Parameters**, and was an error

“Deviated” –

Deviates from the price parameters from time to time established by HKFE and SEHK and notified to EPs

“Price Parameters” –

As established by HKFE and SEHK and published on HKEX website¹



¹ For details on the Error Trade Price Parameters, please visit HKEX webpage at [Error Trade Handling Procedures](#)

Trading and Deviated Price Risk Controls

Deviated Price & Error Trades – Controls

Common Deficiencies

- ❌ **Inadequate prevention mechanism** to identify orders with significantly deviated prices and stop placing the significantly deviated price order at input
- ❌ **Lack of detection mechanism** for significantly deviated price/ potential error price execution
- ❌ **Wrong reference price used** (e.g. in illiquid market)
- ❌ **Lack of regular validation and review** of pricing model or risk control measure version control
- ❌ Implemented soft-block mechanism and show a pop-up screen for clients to reconfirm order with significant deviated price, **but the reconfirmation does not explicitly mention that the order price is deviated from a reasonable value**, and **allow clients to disable such soft-block mechanism** for convenience in their order placing process
- ❌ **No appropriate post-trade review and follow up action** with clients who have executed trades with significantly deviated prices



Trading and Deviated Price Risk Controls

Deviated Price & Error Trades – Controls (cont'd)

Good Practices Observed

Pricing Deviation Control

Controls to detect and monitor deviations between order/execution prices and reference price

- ✓ **Pricing model and related risk control measure version control** – with **extensive price deviation monitoring** by using a hierarchy of prices, including but not limited to theoretical price calculation, real time underlying price, bid & ask price feed, Closing Price
- ✓ **Effective price controls on derivatives products** – capable of taking into consideration the underlying price when determining whether a price is deviated from a reasonable or fair value
- ✓ **Reference price determination methodology** – based on **prevailing market prices**
- ✓ **Regular validation and ongoing review of the sufficiency of price control and detection** in order placement systems

Pre-Trade Control

Prevention mechanism on deviated order price input

- ✓ **Alert and confirmation on order entry** – Warning or reminder (e.g. pop-up screen) that **explicitly mention that the order price is deviated from a reasonable value** and for client to reconfirm the intended order details
- ✓ **Systematic control on order price entry** – e.g. reject orders that deviated from the preset value

At-Trade Control & Post-Trade Control

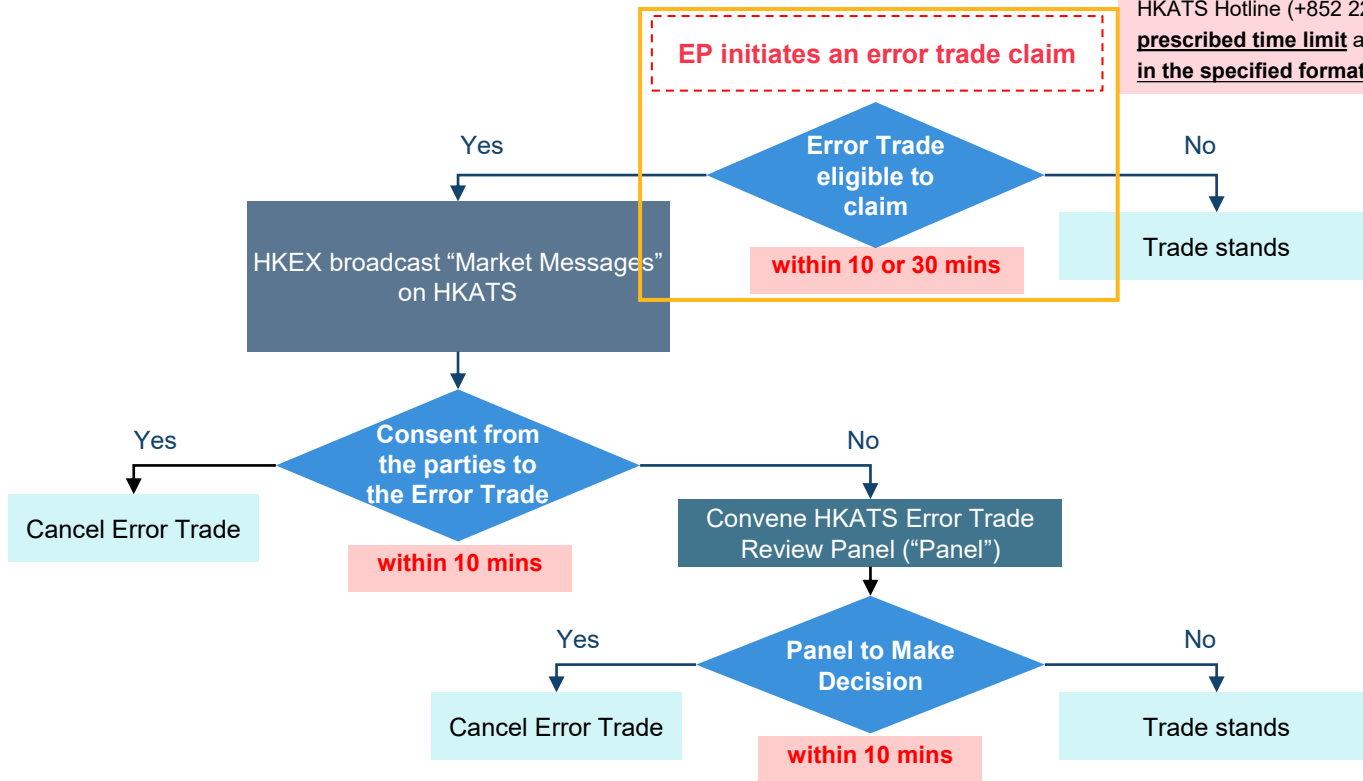
Real-time monitoring and detection controls, supported by defined escalation and post-trade follow-up procedures

- ✓ **Systematic monitoring and alerts** on deviated price executions
- ✓ **Escalation** to designated Error Trade handling personnel upon detection
- ✓ **Appropriate post-trade review and follow-up action** with clients who have executed trades with significantly deviated prices



Error Trade Handling Procedures

Send **claim details** of Error Trade via email (deriopt@hkex.com.hk) and follow-up with call to HKATS Hotline (+852 2211 6360) **within the prescribed time limit** and **with the claim details in the specified format**



Error Trade Handling Procedures

Quick Guide

HKFE Rule 819B(a) for Futures and Index Options & Options Trading Rule 540(1) for Stock Options

- **WHAT** – A trade took place at a level which **deviated** from the **Price Parameters**, and was an error
- **WHO** – **EPs (the originator of the executed trade)** shall be brought to the attention of the relevant Exchange(s)
- **WHEN** – shall be brought to the attention of the relevant Exchange(s) **within the prescribed time limit** (as the case may be, within **10 minutes or 30 minutes** of the execution of the Error Trade)
- **HOW** – **Send claim details** of the Error Trade via email address (deriopt@hkex.com.hk) with the claim details in the specified format and follow-up with call to HKATS Hotline (+852 2211 6360)

Any claim not initiated by EP OR outside of the prescribed time limit OR with incomplete claim details WILL NOT BE ENTERTAINED

Examples of Root Causes

- “Fat finger” on order placement
- Failure to update risk controls setup on new products
- Unauthorized trading incidents

Error Trade Claim Fee: HK\$3,000 per trade (HKFE Rule 819B(i) & Options Trading Rule 541)



Error Trade Handling Procedures

WHEN – Prescribed Time Limit



HKFE Rule 819B(a) “...no later than ten minutes after the time of the trade or, if the trade is a Tailor-Made Combination trade, no later than thirty minutes after the time of the trade”

Options Trading Rule 540(1) “...no later than thirty minutes after the time of the trade”

Category of the Trade	Prescribed time limit
Futures and Options (except Stock Options)	Within 10 minutes of the Error Trade execution
Standard Combination Trade (Deal Source ¹ as STC)	
Tailor-Made Combination Trade ² (Deal Source ¹ as TMC Combo E)	Within 30 minutes of the Error Trade execution
Stock Options	

¹ [HKATS User's Guide](#) (2.1 Special Deal Indicators)

² HKEX's website: [Tailor-Made Combinations](#) & [Error Trade Handling Procedures](#)



Error Trade Handling Procedures

HOW – Claim Detail Required

Claim Detail*	Remarks
Time of Execution	In the format of hh:mm:ss
Series	In accordance with HKATS series naming standard For examples: <ul style="list-style-type: none"> • Futures: HSI (Root Symbol: Hang Seng Index) M (Contract Month: Jun) 6 (Year: 2026) • Options: HHI (Root Symbol: Hang Seng China Enterprises Index) 25000 (Strike Price) F (June Call) 7 (Year: 2027) • Stock Options: TCH (Root Symbol: Tencent) 600.00 (Strike Price) R (June Put) 6 (Year: 2026)
Match ID/ Trade number	<ul style="list-style-type: none"> • 16-digit alphanumeric identifier of the trade provided by HKATS <u>or</u> • Identifier of the trade provided by DCASS
Buy/Sell	Specify direction of the trade
Price & Quantity	Executed price and quantity of the trade
The indicative notation/ reference price used by the EP for the claim	Price value provided by the original EP (Error Trade claimant) – the relevant Exchange(s) may require the EP to indicate how the price value is determined and the basis of using that price value for the claim



* Circulars: [MO/DT/103/17](#) & [MO/DT/104/17](#)

Error Trade Handling Procedures

HOW – Claim Detail Required (cont'd)

Common Mistakes – 1. Match ID/ Trade number

- ✘ EPs provide an Application Programming Interface (“API”) raw number instead of a Match ID/ Trade number due to:
 - Lack of knowledge on how to locate the Match ID/ Trade number; or
 - API system limitations where the Match ID / Trade Number is not readily available

Good Practice on How to Prevent

- ✓ Ensure familiarity with (1) the Match ID field¹ in HKATS Online; and (2) Trade number field² in OMnet Application Programme Interface (“OAPI”) Message Broadcast, and these identifiers should be readily accessible



¹ **HKATS Online:** the Ticker window can be opened from the TRADES menu in HKATS and the 16-digit alphanumeric identifier of the trade can be found there:

INSTRUMENT ID	MATCH ID	QTY	PRICE	TIME	DEAL SOURCE	ACTION
HHIQ8	6175C983000001AE	111	12,010	7/30/18 3:39:26 PM	STC	
HHIN8	6175C983000001AF	111	11,999	7/30/18 3:39:26 PM	STC	
HHIQ8	6175C983000001B3	1	12,010	7/30/18 3:39:28 PM	STC	

² **OAPI Message Broadcast:**

For **Trade Number field** in OAPI BD 6 Broadcast:
trade_number_i

Inaccurate claim details make trade identification by the relevant Exchange(s) impossible



Error Trade Handling Procedures

HOW – Claim Detail Required (cont'd)

Common Mistakes – 2. The Indicative Notation/ Reference Price

- ✘ EPs are unable to determine the indicative notation/ reference price for the Error Trade claim



Good Practice on How to Prevent

- ✔ **Be familiar with the general principles for determining the notional/ reference price** for Futures, Options and Stock Options, Currency Futures, Currency Options and Tailor-Made Combination trade and Standard Combination trade are outlined in the [Error Trade Handling Procedures](#) on HKEX Website
- ✔ Ensure the responsible persons possess adequate knowledge of Error Trade claim requirements and applicable rules and procedures

No deviation evidence, no claim.

If EP cannot demonstrate that the trade took place at a level which **deviated** from the **Price Parameters**, the claim may be rejected.

Error Trade Handling Procedures

Good Practices Observed

- WHAT** ✓ **Be familiar with the general principles for determining the notional/ reference price** – to assess whether a trade is deviated and eligible for an Error Trade claim
- WHO** ✓ **Assign dedicated responsible persons** for Error Trade handling and timely updates on any personnel changes (if any)
- WHEN** ✓ Bring to the attention of the relevant Exchange(s) **within the applicable prescribed time limit (i.e. 10 minutes or 30 minutes)**, which varies by trade category
- HOW** ✓ **Send claim details of Error Trade via email** (deriopt@hkex.com.hk) and **follow up with a call to HKATS Hotline** (+852 2211 6360) to ensure timely handling
- ✓ Provide **claim details in the specified format** to avoid claim time processing and information mismatch
- Others** ✓ Ensure staff understand their responsibilities for order placement and Error Trade handling procedures
- ✓ Provide regular training and timely updates to ensure staff remain familiar with the Error Trade handling procedures and requirements, and other relevant rules
- ✓ Remind staff **not to perform trade and position adjustment on any Error Trades** that has been published by the relevant Exchange(s)



2026 Priority Areas

Risk Management



Risk Management Framework for Clearing Participants

A Clearing Participant should always maintain **financial soundness** and **operational capability** to meet clearing and settlement obligations and safeguard market integrity



Governance

- Senior Management Oversight
- Risk Appetite and escalation of major risk
- Approval, delegation, authorisation and review



Client Exposure

- Client Assessment
- Risk Limit and Monitoring
- Margin Call / Liquidation



Firm-level and Portfolio-level Risk

- Market Risk analysis
- Concentration risk monitoring and control
- Stress-testing



Capital and Liquidity

- Ability to meet financial requirements of clearing houses
- Capital support and Fund Raising Capacity
- Liquidity monitoring, support and estimation



Settlement & Resilience

- Ability to meet settlement obligations
- Infrastructure and authorization
- Contingency

Risk Management

List of Enforcement Focus

- 1 **Credit Exposure and Position Management (including Capital Based Position Limit)**
- 2 **Stress Testing**
- 3 **Settlement Control and Monitoring**
- 4 **Business Continuity and Contingency Arrangements (including e-banking authorisation)**
- 5 **Notification and Update**



Risk Management

1. Credit Exposure and Position Management (including Capital Based Position Limit)

Key Information

Client limits (e.g. position limits, credit limits and/or trading limits) are imposed by CPs on their clients for controlling their client exposure.

CPs shall implement appropriate and adequate monitoring arrangements, which include inputting the limits assigned to clients into the system for continuous monitoring.

Client limits, including limits set in third party systems, should be subject to regular review and integrate with the firm's credit risk management process.

Compliance Reminder

Lack of sufficient and effective monitoring and control on credit exposures

Common deficiencies

- ❌ CPs had not implemented any system to monitor their clients' positions against limits for their clients
- ❌ CPs had allowed clients to transact above the predefined limits and based on their clients' available fund instead
- ❌ Policies and procedures in relation to the treatment of outstanding loan payments were inadequate, where follow-up, escalation and provisioning/ write-off of such loans were not clearly set out
- ❌ Client limits, once granted, were not subject to regular review

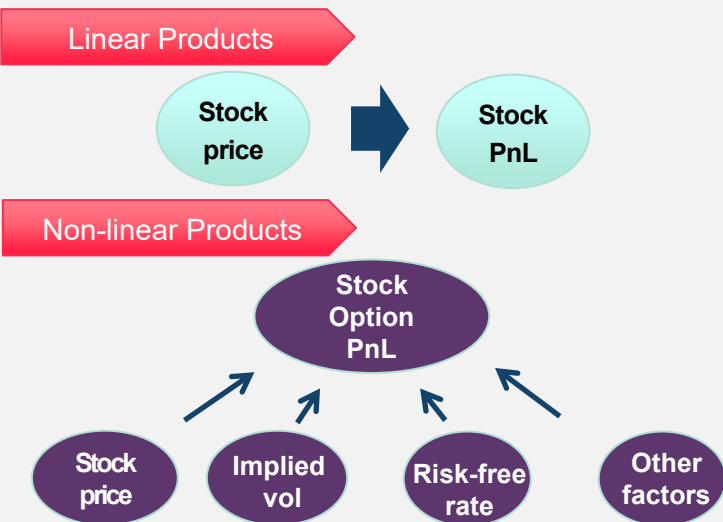


Risk Management

2. Stress Testing

Key Information

Stress Testing of **derivatives products** (futures and options) is crucial since the losses of derivatives products might increase exponentially under extreme scenarios.



Compliance Reminder

CPs are required to have **proper stress testing** for its own or clients' exposure on HKEX's products, especially on **non-linear products**.

CPs are expected to implement and conduct stress testing regularly and at least on a **weekly basis**, to evaluate the maximum potential loss under extreme but plausible market conditions.

Major Products	Downside Scenario	Upside Scenario
HSI	Price -20% Volatility +43%	Price +20% Volatility -24%
HHI	Price -20% Volatility +43%	Price +20% Volatility -24%
HTI	Price -29% Volatility +62%	Price +29% Volatility -35%
CUS	Price -4% Volatility +38%	Price +4% Volatility -22%
Stock options	Price -22% Volatility +43%	Price +22% Volatility -24%

Proper stress testing policies and procedures should clearly set out:

- ✓ Methodology
- ✓ Frequency
- ✓ Review and escalation mechanism



Risk Management

3.1 Settlement Control and Monitoring

Key Information	Compliance Reminder
<p>CPs should put in place adequate and comprehensive internal controls and procedures governing the settlement process.</p> <p>Examples</p> <ul style="list-style-type: none">✓ A checklist with maker-checker signoff over key settlement steps✓ A system dashboard monitoring the timeliness in completing each key settlement steps with automatic escalation alerts <p>CPs should ensure that their staff has adequate and up-to-date knowledge on operational risk and control, payment obligations and the consequences of failure in meeting the obligations of the clearing houses.</p> <p>CPs should keep abreast of the circulars issued and conduct regular reviews on their operation procedures and timely system changes to ensure compliance with the relevant rules and requirements at all times.</p>	<p>Inadequate monitoring and controls over Settlement Operations for ensuring the timely completion of steps essential to fulfill the settlement obligation.</p> <p>Common deficiencies</p> <ul style="list-style-type: none">✗ Inadequate holiday backup arrangement of settlement and accounting officers✗ Insufficient e-banking authorization✗ Insufficient contingency funding channels (e.g. overdraft lines and FX facility)✗ Insufficient review of funding sufficiency and buffer✗ Insufficient buffer time allocated to designated bank to process payment to HKEX✗ Insufficient buffer time allocated to conduct rectification transfer in case of exceptions (Too late to review clearing reports) <p>CPs rely on internal position data (instead of clearing houses' data/report) during the funding forecast/ arrangement process</p> <p>CPs may fail to capture errors caused by internal system or manual process (e.g. incorrect/ incomplete positions net-down in HKCC/ SEOCH)</p> <p>Incorrect forecast of the settlement amount and may result in payment failure</p>



Risk Management

3.2 Settlement Control and Monitoring (DvP)

Key Information

CPs should also put in place funding estimation and position management procedures for collateral requirements (e.g. marks and margins) and settlement obligations, **particularly in:**

- ✓ **Liquidity buffer to meet clearing obligations** – pre-allocating buffer funding to prepare for the potential increase between the collateral requirements estimates and its final amount;
- ✓ **Additional liquidity planning and exposure controls for trade that settled with client on DvP basis** – Since DvP clients are not providing stock/margin/cash upfront by the time of placing order, this may reduce the ability of broker to manage the marginable position by placing Specific Cash Collateral / Specific Stock Collateral. Therefore, CP should review the exposure limit for these group of client and house liquidity to support the clearing of these trades.



Risk Management

3.2 Settlement Control and Monitoring (Large Orders Control)

Key Information

CPs should also put in place funding estimation and position management procedures for collateral requirements (e.g. marks and margins) and settlement obligations, **particularly in:**

- ✓ **Large trade order management** – which includes process to reduce the position for computation of collateral requirements (e.g. to provide Specific Cash Collateral / Specific Stock Collateral to HKSCC for large long / short stock positions under CNS)
 1. CPs should set a threshold and procedure for placing SCC/SSC*.
 2. CP should be aware of the cut-off time for placing SCC/SSC.
 3. When a CP has provided the relevant amount/ stock of SCC/SSC to cover the position, the position covered will be waived from computation of marks and margin requirement.
 4. For large trade that is a manual trade, CP may also consider to place the trade into CCASS as an isolated trade#. The position will not be included in the computation of marks and margin requirement.

* Please refer to the CCMS Terminal User Guide 7.1.3 and 7.1.12 (which is available on client connect). CPs should check and ensure they have the correct user access level for submitting SCC/SSC instructions in the CCASS Terminal.

CP should ensure your trading system is capable to place the trade into CCASS as an isolated trade in case of need.



Risk Management

3.2 Settlement Control and Monitoring (Highly leveraged products)

Key Information

CPs should also put in place funding estimation and position management procedures for collateral requirements (e.g. marks and margins) and settlement obligations, **particularly in:**

- ✓ **CBBC / Warrants** – Since large marks & margin obligations can arise from highly leveraged products under the VaR margin model*, CPs should mitigate the liquidity risk on house money arising from CBBC/Warrants trades, including:
 1. Set conservative trading limits for CBBC/Warrants.
 2. Require good fund (100% haircut) for clients trading CBBC/Warrants.
 3. Avoid concentration risk and excessive exposure to CBBC/Warrants from one single client.
 4. Closely monitor the overnight position of CBBC/Warrants. Set stricter overnight holding limits and/or require pre-approval for large positions.
 5. Maintain sufficient buffer liquidity to meet potential marks & margin obligations.
 6. Conduct regular review on VaR, stress tests, and scenario analysis for CBBC/Warrant positions.

* Margin for CBBC Sell trades can be up to 3 times of its notional value, or even higher under extreme scenarios.



Risk Management

3.3 Settlement Control and Monitoring (Special Settlement Days)

Key Information	
Types	Details
Before Long Holidays	<ul style="list-style-type: none">• Impacts HKSCC, HKCC and SEOCH CPs: Additional margin requirement and intra-day margin call.
Severe Weather Trading	<ul style="list-style-type: none">• Impacts HKSCC, HKCC and SEOCH CPs: Clearing and settlement services will continue in both the securities and derivatives markets
H-1 Days*	<ul style="list-style-type: none">• Impacts HKSCC China Connect CPs: Deadline of money settlement of Northbound Trades is adjusted to 6:00 pm on T Day.
Derivatives Holiday Trading	<ul style="list-style-type: none">• Impacts HKCC Holiday Trading CPs: Obligation in HKD will be settled in USD on Holiday Trading Days

* "H-1 day" means, in relation to China Connect Securities, the Settlement Day immediately preceding a day which is a public holiday in Hong Kong but not in Mainland China.




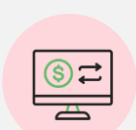
Your firm's settlement procedure / checklist should incorporate additional pre-monitoring and operational tasks arising from these special arrangements.



Risk Management

3.4 Settlement Control and Monitoring (For Holiday Trading Clearing Participants)

Arrangement with appointed settlement bank and liquidity monitoring




Key Information			
	Areas	Details	
	Awareness of Clearing House Reports to review	<ul style="list-style-type: none">• Update settlement control checklist / dashboard with H day related settlement reports and timelines	✓
	Liquidity Forecast	<ul style="list-style-type: none">• Conduct funding estimate at currency level	✓
	Pre-funding	<ul style="list-style-type: none">• Arrange funding in advance on H-1 day• Extend pre-funding or credit facilities coverage to non-HKD and H day	✓
	E-banking and transfer Authorization	<ul style="list-style-type: none">• Proper e-banking authorization and limits, coverage include FX conversion and inter-bank transfer• Proper authorization granted to staff on duty to conduct funding transfer on H day	✓

Risk Management

3.4 Settlement Control and Monitoring (For Holiday Trading Clearing Participants)

Contingency plan in case of late payment

(e.g. insufficient funding in designated bank account on H day)

Key Information		
	Areas	Details
	Ability to provide proof of financial position	Sufficient authorization to allow staff on duty to provide bank balance to clearinghouse upon request
	Ability to conduct immediate funding transfer	Proper limit and authorization assigned to conduct third party account transfer (i.e. between CP's bank accounts and to HKCC bank accounts)
	Currency of obligations	Prepare to provide and transfer cash collateral other than the currency of the obligation at last resort

Important: Any failure to meeting clearing house obligations would trigger an event of default and could have serious consequence on your firm



Risk Management

4.1 Contingency Arrangements to ensure fulfilment of settlement obligations

In situation where the firm's operation capacity is limited
(e.g. Pandemic, before long holidays, severe weather situation)

- 1 Backup staff arrangement on key settlement task and funding transfer process
- 2 Buffer up designated settlement account
- 3 Regular test and remind important staffs to test or bring along the access token



Risk Management

4.2 E-banking Authorization and Back up Broker Arrangements

E-banking

Key Information

CPs should arrange electronic/phone banking channel to ensure timely transfer of funding between house accounts and to HKEX's bank account.

- ✓ Maker and checker mechanism
- ✓ Limit of transfer fund is set above liquidity needed

Compliance Reminder

Inadequate controls in relation to **e-banking**

Common deficiencies

- ✗ CPs do not have e-banking set up.
- ✗ CPs do not set up CHATS Payment Instruction (CPI) for intra-day risk payment settlement.

Back up Broker(s)

Key Information

CPs should have a back up broker arranged, so client order can be routed to a peer broker in case of disruptions.

Compliance Reminder

Inadequate arrangement in place to cover contingency handling of trades leading to CPs unable to meet settlement obligations.



Risk Management

4.3 Business Continuity and Contingency Arrangements

Contingency Handling of Forthcoming Trades

Key Information

CPs should develop and maintain a business contingency plan to cope with disruptions that may impair CPs' ability to meet settlement obligations, including **remote access**.

For CP appointed as a backup broker by a client which is a SEHK and/or HKFE Exchange Participant, CP should put in place appropriate and effective measures, and take reasonable steps to ensure that the EP Client they deal with are not in suspension status, unless prior approval has been obtained from the relevant Exchange(s).

Compliance Reminder

Inadequate arrangement in place to ensure its fulfillment of the clearing houses' **settlement obligations** exchanges' rule requirements under **contingency situation**.

Examples of contingency handling of forthcoming trades include:-

1. routing to a peer broker,
2. putting timely stop to client orders and
3. promptly notifying clients about the order handling approaches

Regarding SEHK Rule 541 and/or HKFE Rule 522C compliance, backup broker should be able to timely identify whether its EP client is in trading suspension status and upon identification, to obtain waiver for SEHK/HKFE.



Risk Management

5. Notification and Updates – Risk and Control Plan

Key Information

CPs should **notify** the clearing houses of any change in the details supplied at the time of admission

Examples

- ✓ **Updated** risk and control documents when engaging in **new business activities** such as proprietary trading, stock lending, China Connect market and margin financing

For filings of new business activities, information should be submitted to ClearingCreditRisk@HKEX.COM.HK

Please also refer to Circular [MSM/002/2026](#) issued on 31 March 2026 for details.

Compliance Reminder

Failure to notify the clearing houses when there is a **change** in operations and risk control



Risk Management

5. Notification and Updates – Risk and Control Plan

Key Information

CPs should **provide to clearing houses an updated shareholding chart***:

- ✓ 1. **on an annual basis (via annual attestation)**
- ✓ 2. as soon as reasonably practicable subsequent to any reorganisation of its corporate group
- ✓ 3. as soon as reasonably practicable following a change (direct or indirect) of 10% or more in the share capital or voting rights

* Reference: HKSCC Rule 1703(viii), HKCC Rule 214A(a) and SEOCH Rule 403F

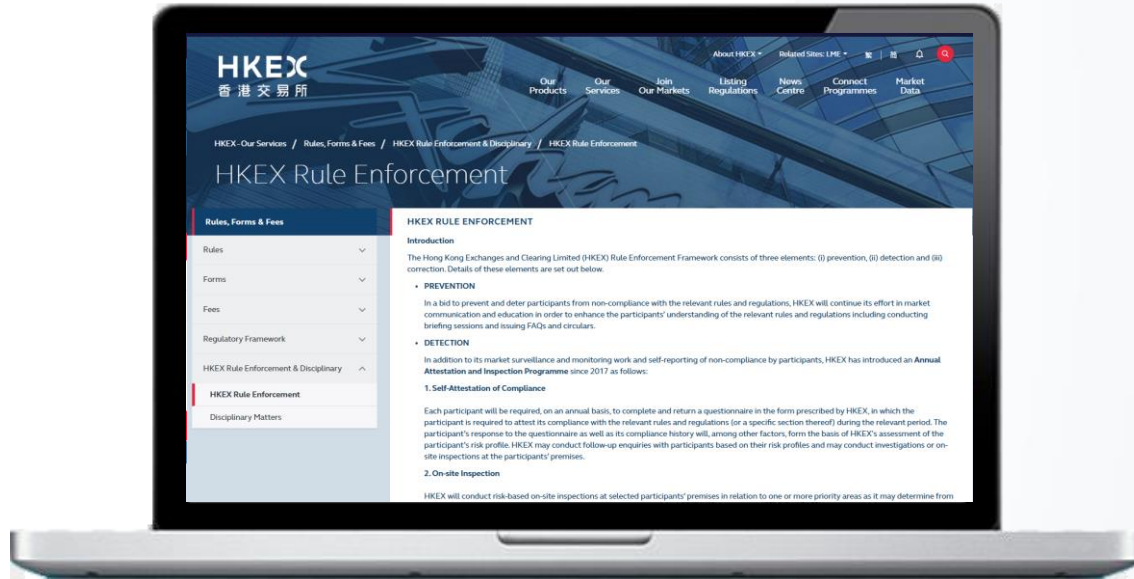
For filings following shareholding change under (2) or (3) above, information should be submitted to ClearingCreditRisk@HKEX.COM.HK using the template provided in the attestation submission pack



HKEX Rule Enforcement Designated Website & Email Account



https://www.hkex.com.hk/Services/Rules-and-Forms-and-Fees/HKEX-Rule-Enforcement-and-Disciplinary/HKEX-Rule-Enforcement?sc_lang=en



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