

Disciplinary Procedures

PART II

DISCIPLINARY PROCEDURES

1. Offences to be Dealt with under the Standard Penalty Procedures and Offences to be Dealt with by Hearings

1.1 The following are classified as “offences to be dealt with under the Standard Penalty Procedures”:-

1.1.8 failure of a Special Participant to be an ATS provider authorised by the Commission under section 95(2) of the Ordinance as required under Rule 1507(2);

1.1.9 failure of an Exchange Participant, a China Connect Exchange Participant or a SPAC Exchange Participant to comply with the requirements under Rule 525A(2), Rule 14A06(15), Rule 14B06(18) or Rule 593(6), as the case may be, within a 12-month rolling period; and

1.1.10 failure of a Relevant Regulated Intermediary, which is an Exchange Participant, to comply with the following requirements under Rule 538A, as the case may be, within a 12-month rolling period:

- to submit the BCAN-CID Mapping File to the Exchange in such manner and by such deadline as the Exchange may prescribe from time to time as required under Rule 538A(3);
- to provide the BCAN-CID Mapping File to the Exchange for validation by the relevant prescribed deadlines (T-1 day or T day as the case may be) as required under Rule 538A(4);
- to provide accurate and up-to-date information in the BCAN-CID Mapping File submitted to the Exchange as required under Rule 538A(5), specifically the name and identity document number (including characters, numbers, and symbols) which form the client’s CID should be exactly the same as in the corresponding official identity document;
- to report each order underlying an executed aggregated order (on-exchange or off-exchange) in such form the Exchange may prescribe from time to time on or before market close on the third trading day after the execution of the aggregated order i.e. T+3 day as required under Rule 538A(6)(d);

- to obtain all necessary authorizations and written or other express consents from each existing and new individual client as required under Rule 538A(8) before inputting any buy orders for such client on T-day.

2. Standard Penalty Procedures

- 2.1 The Enforcement Section or the Disciplinary Section, as the case may be, shall conduct an investigation into any alleged offence to be dealt with under the Standard Penalty Procedures.
- 2.2.1 [Repealed]
- 2.2.2 Upon being satisfied that an offence to be dealt with under the Standard Penalty Procedures referred to in Clause 1.1.6 of Part II has been committed, the Disciplinary Section or the Enforcement Section, as the case may be, shall issue a letter to the Exchange Participant, advising that the penalty as prescribed for that particular offence or offences in the Schedule of Penalties has been imposed and shall be paid within the period stipulated in the letter. In the letter, it shall be clearly stated that the Exchange Participant, if it so wishes, may request the matter be dealt with by a hearing before the Disciplinary Committee within the time limit stipulated in the letter.
- 2.2.3 [Repealed]
- 2.2.4 Upon being satisfied that an offence to be dealt with under the Standard Penalty Procedures referred to in Clauses 1.1.7 and 1.1.8 of Part II has been committed, the Disciplinary Section or the Enforcement Section, as the case may be, shall issue a letter to the Participant, advising that the penalty as prescribed for that particular offence in the Schedule of Penalties would be imposed at the date stipulated in the letter. In the letter, it shall be clearly stated that the Participant, if it so wishes, may request the matter be dealt with by a hearing before the Disciplinary Committee within the time limit stipulated in the letter.
- 2.2.5 Upon being satisfied that an offence to be dealt with under the Standard Penalty Procedures referred to in Clauses 1.1.9 and 1.1.10 of Part II has been committed, the Disciplinary Section or the Enforcement Section, as the case may be, (i) shall issue a Warning Letter to the Exchange Participant for the first offence, warning that in case of any repeated offence, the penalty as prescribed for that particular offence in the Schedule of Penalties would be imposed; or (ii) shall issue a letter to the Exchange Participant for any repeated offence, advising that the penalty as prescribed for that particular offence in the Schedule of Penalties has been imposed and shall be paid within the period stipulated in the letter. In the letter or Warning Letter, it shall be clearly stated that the Exchange Participant, if it so wishes, may request the matter be dealt with by a hearing before the Disciplinary Committee within the time limit stipulated in the letter or Warning Letter.

- 2.3.1 If in response to a letter or Warning Letter, as the case may be, issued by the Enforcement Section or the Disciplinary Section under Clause 2.2.2, 2.2.4 or 2.2.5 of Part II, the Participant requests that the matter be referred to the Disciplinary Committee, the Enforcement Section shall handle the case in accordance with the Procedures for Offences To Be Dealt With By Hearings thereafter leading to a hearing before the Disciplinary Committee.
- 2.3.2 [Repealed]
- 2.3.3 [Repealed]
- 2.4 The Disciplinary Committee may after hearing the matter referred to it in accordance with Clause 2.3.1 of Part II, in addition to any penalty which it may impose, order the Participant charged to pay the standard penalty prescribed in the Schedule of Penalties.
- 2.5 A Participant may at any time after having requested the matter to be referred to the Disciplinary Committee admit the offence to be dealt with under the Standard Penalty Procedures and pay the penalty prescribed in the Schedule of Penalties for the offence or offences with which it had been charged.

SCHEDULE OF PENALTIES

9. Failure of an Exchange Participant, a China Connect Exchange Participant or a SPAC Exchange Participant to comply with the requirements under Rule 525A(2), Rule 14A06(15), Rule 14B06(18), Rule 593(6), or those referred to in Clause 1.1.10 of Part II, as the case may be, within a 12-month rolling period:-
- for the first offence, issuance of a Warning Letter;
 - for the second offence, an imposition of a fine of \$25,000;
 - for the third offence, an imposition of a fine of \$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.