

Operation Procedures for Stamp Duty Collection

2. GENERAL

2.1 Stamp duty chargeable under the Stamp Duty Ordinance shall be payable to the Exchange on each and every contract note issued in respect of all transactions recognized by the Exchange on a Trading Day (T day) basis unless the transaction is:

- (a) a Market Maker jobbing transaction; ~~or~~
- (b) an Exchange Traded Fund underlying stock transaction; ~~or~~
- (c) a sale or purchase transaction of a Dual Counter Security in connection with market making or liquidity providing activities performed by an Exchange Participant in its capacity as a Dual Counter Market Maker, which satisfies such conditions and requirements as prescribed by the Exchange from time to time to qualify for exemption from stamp duty (an “Eligible DCMM Transaction”)

as specified under Rule 1301.

3B. IDENTIFICATION OF ELIGIBLE DCMM TRANSACTIONS BY DUAL COUNTER MARKET MAKERS

- (1) In respect of a relevant Dual Counter Security for which a Dual Counter Market Maker has been granted a Dual Counter Market Maker permit, a Dual Counter Market Maker shall submit to the Exchange, prior to 10:15 a.m. on the trading day following T day (T+1 day), a completed Dual Counter Market Maker activity form to report all transactions made through the Market Making Central Gateway session(s) on T day according to the various categories of transactions specified on the form. The form shall be in such format and shall be submitted to the Exchange through the ECP or in such other manner as may be prescribed by the Exchange from time to time. The Dual Counter Market Maker shall also report in the Form SD-1 submitted by it to the Exchange under Clause 2.4 (a) the stamp duty exemption claimed with respect to the transactions included in its Dual Counter Market Maker activity form.
- (2) A Dual Counter Market Maker shall not claim a transaction as an Eligible DCMM Transaction in the Dual Counter Market Maker activity form or the Form SD-1 if the transaction concerned does not satisfy such conditions and requirements for stamp duty exemption as referred to under Clause 2.1(c).
- (3) The Exchange may, without prior notice to the Dual Counter Market Maker concerned, notify the Collector of Stamp Revenue immediately whenever it has reasonable grounds to believe that a transaction which does not fall under Clause 2.1(c) has been identified and reported as a transaction for stamp duty exemption in the Dual Counter Market Maker activity form or the Form SD-1.