

**Operation Procedures for Trading Fee**

Updated: [\*] 2014

**OPERATION PROCEDURES FOR TRADING FEE**

Unless the context otherwise requires, the terms used in these Operation Procedures shall have the same meanings as contained in the Rules of the Exchange.

**Exchange Participants**

- (1) A Trading Fee shall be payable to the Exchange on every purchase or sale of securities admitted to trading, listed, or approved to be listed on the Exchange carried out by an Exchange Participant whether as principal or agent whether in the Trading Hall and whether the transaction is arranged or concluded in Hong Kong or elsewhere. For the avoidance of doubt, both the buying Exchange Participant, and the selling Exchange Participant shall each pay to the Exchange the amount of the Trading Fee as specified by the Board under Clause (3) below.
- (2) Every Exchange Participant which operates a business of dealing in securities shall be liable to the Exchange for payment of the Trading Fee himself or itself whether he or it deals as principal or agent provided that the Exchange Participant shall have the right to collect the Trading Fee, whether in whole or in part, from his or its clients.
- (3) The rate of the Trading Fee shall be 0.005% (rounded to the nearest cent) of the amount of the consideration for each purchase or sale of securities, or such other rate as determined by the Board from time to time. The rate of the Trading Fee and the manner of collection (as determined by the Board from time to time) will be notified to Exchange Participants by circular or by notice posted in the Trading Hall.
- (4) Where an Exchange Participant is to collect the Trading Fee, whether in whole or in part, from his or its clients, the Exchange Participant shall state in the relevant contract notes the amount of the Trading Fee to be paid by his or its clients, or shall otherwise notify his or its clients in writing of the amount of Trading Fee required to be paid by his or its clients and provide his or its clients with documentary evidence of payment of the said amount by his or its clients.
- (5) An Exchange Participant shall keep complete and true records of and maintain separate accounts for the Trading Fee and remitted to the Exchange. An Exchange Participant shall whenever called upon by the Board so to do produce his or its books and records for inspection by any person authorised by the Board.
- (6) Within 7 days from the beginning of each month, an Exchange Participant shall submit to the Exchange a complete and signed return of the Trading Fee payable in respect of transactions carried out as principal or agent during the previous month, in such form as specified by the Board from time to time. Without prejudice to the foregoing, the Board shall have power to require an Exchange Participant to make such returns at such other time(s) and in respect of such other

period(s) as the Board may require.

- (7) An Exchange Participant shall remit within 15 days from the beginning of each month the total Trading Fee as stated in his or its return under Clause (6) to the Exchange in such manner as the Board may from time to time specify. Without prejudice to the foregoing, upon demand by the Exchange, immediate payment of all Trading Fee due from an Exchange Participant relating to transactions of any period prior to the date of payment shall be effected.
- (8) If any Exchange Participant fails to remit the Trading Fee to the Exchange within the period specified in Clause (7), a surcharge of 2% on the total Trading Fee payable shall be imposed. If the Trading Fee and the surcharge remains unpaid at the end of the month in which the Trading Fee is due, the Exchange Participant shall be liable to be suspended from trading and may be subject to any other disciplinary action as the Board may think fit. Notwithstanding any such action which the Board may take against the Exchange Participant in default, the Board may also take legal action to recover the outstanding amount of Trading Fee and surcharge, and all expenses incurred or to be incurred by the Board for taking recovery action against the Exchange Participant shall be borne by the Exchange Participant.
- (9) Where the total amount of the Trading Fee in a return of an Exchange Participant under Clause (6) is different from the sum computed by the Exchange on the basis of transactions as recorded by the Exchange, such Exchange Participant shall take immediate actions to verify the records to ascertain the correct amount that should be payable. He or it shall however remit the lesser of the two sums to the Exchange under Clauses (7) and (8). Upon the correct amount being ascertained, the amount owing, if any, shall be paid to the Exchange immediately. In case of dispute, the amounts computed by the Exchange as aforesaid shall, in the absence of manifest error, be final and binding.
- (10) When an Exchange Participant suspends or ceases his or its business of dealing in securities, he or it shall immediately notify the Exchange in writing, and such Exchange Participant shall submit a return up to and including the date of suspension or cessation within 7 days after such date and shall effect payment within 15 days after such date and Clauses (6) to (9) shall apply accordingly.
- (11) Notwithstanding Clause (3) above, the rate of the Trading Fee, in relation to Exchange Traded Options is 0%.
- (12) [Repealed]
- (13) Notwithstanding Clause (3) above, the rate of the Trading Fee, in relation to transactions concluded by an Exchange Participant acting in the capacity as a Securities Market Maker for a Market Making Security, is 0%.

### **Special Participants**

- (14) A Trading Fee shall be payable to the Exchange on every purchase or sale of securities admitted to trading, listed, or approved to be listed on the Exchange carried out by a Special Participant. For the avoidance of doubt, where a Special Participant is both the buying party and the selling party to a transaction, the Special Participant shall pay to the Exchange the amount of the Trading Fee as

specified by the Board under Clause (15) below in respect of both the purchase and the sale.

- (15) The rate of the Trading Fee shall be 0.005% (rounded to the nearest cent) of the amount of the consideration for each purchase or sale of securities, or such other rate as determined by the Board from time to time. The rate of the Trading Fee and the manner of collection (as determined by the Board from time to time) will be notified to Special Participants by circular or by such other means as the Exchange considers appropriate.
- (16) Notwithstanding anything contained herein, the Exchange may separately prescribe additional procedures for the payment of Trading Fee to be followed or observed by Special Participants. For the avoidance of doubt, the Exchange may prescribe different procedures for different Special Participants.