

Rules of the Exchange

CHAPTER 1

INTERPRETATION

101. In these Rules, unless the context otherwise requires:-

“AFRC Transaction Levy” means the levy payable to the Accounting and Financial Reporting Council pursuant to the provisions of section 50A of the Accounting and Financial Reporting Council Ordinance;

“Transaction Levies” means the SFC Transaction Levy and AFRC Transaction Levy;

CHAPTER 11

TRANSACTION AND INVESTOR COMPENSATION LEVIES

1103. The rate of the SFC Transaction Levy shall be at a rate as specified from time to time in the Securities and Futures (Levy) Order of the amount of the consideration for each purchase or sale of securities (rounded to the nearest cent). The rate of the AFRC Transaction Levy shall be at a rate as specified from time to time in the Accounting and Financial Reporting Council Ordinance of the amount of the consideration for each purchase or sale of securities (rounded to the nearest cent). The rate of the Investor Compensation Levy shall be at a rate as specified from time to time in the Securities and Futures (Investor Compensation - Levy) Rules of the amount of the consideration for each purchase or sale of securities (rounded to the nearest cent). The respective rates of the SFC Transaction Levy, the AFRC Transaction Levy and the Investor Compensation Levy and the manner of collection (determined by the Board from time to time) will be notified to Participants by circular.

1104. (a) An Exchange Participant shall state in every contract note to clients as separate items relevant amounts of the Transaction Levies and the Investor Compensation Levy payable to the Exchange according to the requirements of the Commission. Relevant amounts of the SFC Transaction Levy and the AFRC Transaction Levy may be stated either as separate items or as an aggregate amount.

- (b) A Special Participant shall state in every contract note relevant amounts of the Transaction Levies payable to the Exchange according to the requirements of the Commission. Relevant amounts of the SFC Transaction Levy and the AFRC Transaction Levy may be stated either as separate items or as an aggregate amount.
1105. (a) An Exchange Participant shall keep complete and true records of and maintain separate accounts for the SFC Transaction Levy, the AFRC Transaction Levy and the Investor Compensation Levy actually collected from clients and remitted to the Exchange. An Exchange Participant shall whenever called upon by the Board so to do produce its books and records for inspection by any person authorised by the Board.
- (b) A Special Participant shall keep complete and true records of the SFC Transaction Levy and the AFRC Transaction Levy actually paid by it to the Exchange under Rule 1102(b). A Special Participant shall whenever called upon by the Board so to do produce its books and records for inspection by any person authorised by the Board.
1108. If any Participant fails to remit any SFC Transaction Levy, AFRC Transaction Levy and/or Investor Compensation Levy to the Exchange within the period specified in Rule 1107, a surcharge at the same rate as the rate of the late remittance charge, if any, specified in the Securities and Futures (Levy) Rules, the Accounting and Financial Reporting Council Ordinance or the Securities and Futures (Investor Compensation-Levy) Rules (as the case may be) on the outstanding SFC Transaction Levy, AFRC Transaction Levy and/or Investor Compensation Levy payable shall be imposed. If any SFC Transaction Levy, AFRC Transaction Levy, Investor Compensation Levy and the surcharges remain unpaid at the end of the month in which the SFC Transaction Levy, the AFRC Transaction Levy and/or the Investor Compensation Levy is/are due, the 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 Participant in default, the Board may also take legal action to recover the outstanding amount of Transaction and Investor Compensation Levies and surcharges, and all expenses incurred or to be incurred by the Board for taking recovery action against the Participant shall be borne by such Participant.
1109. Where the total amount of the SFC Transaction Levy, the AFRC Transaction Levy or the Investor Compensation Levy in a return of a Participant under Rule 1106 is different from the sum computed by the Exchange on the basis of transactions as recorded by the Exchange, such Participant shall take immediate actions to verify the records to ascertain the correct amount that should be payable. It shall however remit the lesser of the two sums to the Exchange under Rules 1107 and 1108. 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.

1112. Without prejudice to Rule 1103, the SFC Transaction Levy payable for a sale and purchase of Exchange Traded Options is payable by the seller and the buyer, and is 0% of the consideration for each sale or purchase in accordance with the Securities and Futures (Levy) Order and no AFRC Transaction Levy and Investor Compensation Levy are payable in accordance with the Accounting and Financial Reporting Council Ordinance and the Securities and Futures (Investor Compensation – Levy) Rules respectively.
1113. Without prejudice to 1103, the SFC Transaction Levy payable for a sale or purchase of securities by an Exchange Participant acting in the capacity as a Securities Market Maker for a Market Making Security is nil in accordance with the Securities and Futures (Levy) Order and no AFRC Transaction Levy and Investor Compensation Levy are payable in accordance with the Accounting and Financial Reporting Council Ordinance and the Securities and Futures (Investor Compensation – Levy) Rules respectively.
- 1114B. The AFRC Transaction Levy so collected by the Exchange under these Rules shall be paid to the Accounting and Financial Reporting Council in accordance with the Accounting and Financial Reporting Council Ordinance and these Rules.