

Rules of the Exchange

CHAPTER 5

TRADING

Operational Trading Rules

Securities Market Makers

583. Notwithstanding Rule 582, an Exchange Participant acting in the capacity as a Securities Market Maker shall not be subject to the following Rules:

Rules 503(2), 506A and 507A (only in relation to such Market Making Security and for such period of time as the Exchange may from time to time prescribe)

Rules 514 to 516

Rule 517(4)

Rules 520 to 521

Rules 526(1) to 526(3)

Rule 527

Rule 576

SECOND SCHEDULE

Spread Table

(applicable to all types of currencies)

Part A

All securities, other than those securities covered under Part B, Part C and/or Part D, shall be traded in accordance with the following scale of spreads:

Currency unit

From	0.01 to	0.25	_____	0.001
Over	0.25 to	0.50	_____	0.005
Over	0.50 to	10.00	_____	0.010
Over	10.00 to	20.00	_____	0.020
Over	20.00 to	100.00	_____	0.050
Over	100.00 to	200.00	_____	0.100

Over	200.00 to	500.00	_____	0.200
Over	500.00 to	1,000.00	_____	0.500
Over	1,000.00 to	2,000.00	_____	1.000
Over	2,000.00 to	5,000.00	_____	2.000
Over	5,000.00 to	9,995.00	_____	5.000

Part D

Exchange Traded Funds, other than those securities covered under Part B, shall be traded in accordance with the following scale of spreads:

Currency unit

From	0.01 to	1.00	_____	0.001
Over	1.00 to	5.00	_____	0.002
Over	5.00 to	10.00	_____	0.005
Over	10.00 to	20.00	_____	0.010
Over	20.00 to	100.00	_____	0.020
Over	100.00 to	200.00	_____	0.050
Over	200.00 to	500.00	_____	0.100
Over	500.00 to	1,000.00	_____	0.200
Over	1,000.00 to	2,000.00	_____	0.500
Over	2,000.00 to	9,999.00	_____	1.000

FOURTEENTH SCHEDULE

**SECURITIES MARKET MAKER REGULATIONS
("REGULATIONS")**

INTRODUCTION

(1) In these Regulations:-

"affiliate" means (i) a company that is a subsidiary of a Securities Market Maker or (ii) a company of which a Securities Market Maker is a subsidiary or (iii) a company which shares a parent company with a Securities Market Maker and that parent company owns at least 40 percent of both companies;

"fast market" means a period of time, as determined by the Exchange, during which Securities Market Maker Obligations may be suspended;

"market making order" means an order validly entered into the System during the Continuous Trading Session by an Exchange Participant acting in the capacity as a Securities Market Maker;

"maximum spread" means, in relation to two-sided market making orders, the maximum difference allowed between the bid price and the ask price input by a Securities Market Maker as may from time to time be specified by the Exchange;

"minimum participation rate" means the percentage of a period of time in the Continuous Trading Session as may from time to time be specified by the Exchange, during which a Securities Market Maker is required to input and maintain two-sided market making orders that are within the maximum spread and in no less than the minimum quote size;

"minimum quote size" means, in relation to two-sided market making orders, the aggregate quote value per side of the market making orders that are within the maximum spread input by a Securities Market Maker as may from time to time be specified by the Exchange.

RIGHTS AND OBLIGATIONS OF SECURITIES MARKET MAKERS

(9) Subject to Regulation (10), each Securities Market Maker (as the case may be) shall be obliged, in respect of a Market Making Security for which it holds a current Securities Market Maker permit, to:-

(i) enter two-sided market making orders into the System in no less than the minimum quote size and each within the maximum spread; and

(ii) [Repealed]

(iii) maintain such orders for a minimum period of time as specified by the Exchange from time to time.

- (10) A Securities Market Maker shall input and maintain market making orders for a Market Making Security, in accordance with Regulation (9) above, and meet the minimum participation rate over such time period as may from time to time be stipulated by the Exchange.
- (11) In assessing the participation rate of a Securities Market Maker for the purpose of Regulation (10) above, the Exchange may, in its absolute discretion, take into account all the relevant circumstances including but not limited to the general conditions of the market, either as a whole or of a specific security.
- (12) Each Securities Market Maker (as the case may be) must be available to input and maintain market making orders on all trading days during the period for which its permit is granted unless specifically exempted by the Exchange.

APPENDIX TO FOURTEENTH SCHEDULE

SECURITIES MARKET MAKER OBLIGATIONS (“Obligations”)

2. The Exchange has absolute discretion to prescribe from time to time different Obligations with respect to different Market Making Securities. Such different Obligations will be notified to the Exchange Participants. Unless otherwise notified to the Exchange Participants, the Obligations with respect to each of the Market Making Securities may be prescribed by the Exchange within the following ranges:

	Ranges within which the Obligations may be prescribed
The maximum spread of two-sided market making orders entered by a Securities Market Maker into the System	0.25 to 2.00 percent or where the nominal price of the security is under such price as the Exchange may from time to time specify, 1 spread
The minimum quote size of market making orders that a Securities Market Maker submits in accordance with Regulation (9)	HKD50,000 to 1,000,000
	RMB50,000 to 1,000,000
	USD5,000 to 200,000
The minimum period of time for which a Securities Market Maker shall maintain a market making order after initially entering it into the System	0 to 90 seconds
The minimum participation rate of a Securities Market Maker in one trading day	50 to 90 percent

7. In the event that a Securities Market Maker fails to meet the minimum participation rate in a Market Making Security in a trading day in accordance with the Fourteenth Schedule for five or more days in a month for two consecutive months, its Securities Market Maker permit for that Market Making Security may be revoked at the Exchange's discretion.

- 7A. In the event that a Designated Specialist of a Securities Market Maker fails to meet the minimum participation rate in a Market Making Security in a trading day in accordance with the Fourteenth Schedule for five or more days in a month for two consecutive months, the registration of the Designated Specialist may be revoked at the Exchange's discretion and its name and other details removed from the Register of Designated Specialists.