

**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 ~~and/or~~, 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

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

**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.

~~"Wide Spread" means, in respect of a Market Making Security:-~~

~~(i) a situation where the bid ask spread is larger than a limit specified by the Exchange from time to time;~~

~~(ii) a situation where there is only one-sided quotation; or~~

~~(iii) a situation where there is no existing quotation on both the bid and the ask queues, continuously for a period of time, as the Exchange may from time to time prescribe, during the Continuous Trading Session.~~

**RIGHTS AND OBLIGATIONS OF SECURITIES MARKET MAKERS**

- (9) Subject to Regulation (10), each Securities Market Maker (as the case may be) shall be obliged, ~~upon occurrence of Wide Spread~~ 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 ~~quantity~~quote size and each within the maximum spread, as specified by the Exchange from time to time, and within the maximum spread; and
  - (ii) ~~enter such market making orders into the System within such period after occurrence of Wide Spread as specified by the Exchange from time to time; and~~[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 ~~respond~~input and maintain market making orders for a Market Making Security, in accordance with Regulation (9) above, ~~to occurrences of Wide Spread~~ and meet the minimum ~~response~~participation rate over such time period as may, from time to time be stipulated by the Exchange ~~if the occurrence of Wide Spread over that time period is no less than the minimum number specified by the Exchange from time to time.~~
- (11) In assessing the ~~response participation~~ rate of a Securities Market Maker ~~to Wide Spread~~ 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 number of occurrence of Wide Spread during the stipulated time period and~~ 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 ~~respond to Wide Spread~~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
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The maximum spread of two-sided market making orders entered by a Securities Market Maker into the System	<del>1 to 40 spreads</del> <u>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</u>
The minimum <del>quantity-quote size</del> of market making orders that a Securities Market Maker submits in accordance with Regulation (9)	<del>5 to 30 board lots</del> <u>HKD50,000 to 1,000,000</u>
	<u>RMB50,000 to 1,000,000</u>
	<u>USD5,000 to 200,000</u>
<del>The limit of the bid-ask spread for situation (i) under the definition of "Wide Spread" in Regulation (1)</del>	<del>1 to 45 spreads</del>
<del>The minimum period of time for which the situation described under either (i), (ii) or (iii) in the definition of "Wide Spread" in Regulation (1) must have occurred continuously in order to constitute a Wide Spread</del>	<del>0 to 3 minutes</del>
<del>The period of time within which a Securities Market Maker shall enter market making orders into the System upon an occurrence of Wide Spread</del>	<del>0 to 90 seconds</del>
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 <del>3 minutes</del> <u>90 seconds</u>
The minimum <del>response-participation</del> rate of <del>Wide Spread</del> by a Securities Market Maker in one <del>month</del> <u>trading day</u>	<del>50 to 100</del> <u>50 to 90</u> percent
<del>The minimum number of occurrence of Wide Spread in a month for the minimum response rate to apply</del>	<del>0 to 200</del>

7. In the event that a Securities Market Maker fails to meet the ~~minimum response rate of Wide Spread~~minimum participation rate in a Market Making Security in a ~~month~~trading day in accordance with the Fourteenth Schedule ~~for five or more days in a month~~ for two consecutive months ~~and the occurrence of Wide Spread in that security in each of those two months is no less than the minimum number specified by the Exchange from time to time~~, 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 response rate of Wide Spread~~minimum participation rate in a Market Making

Security in a ~~month trading day~~ in accordance with the Fourteenth Schedule for five or more days in a month for two consecutive months ~~and the occurrence of Wide Spread in that security in each of those two months is no less than the minimum number specified by the Exchange from time to time~~, 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.