

## CHAPTER 11

### TRANSACTION AND INVESTOR COMPENSATION LEVIES

1101. Transaction Levies 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 Participant whether as principal or agent and whether the transaction is arranged or concluded in Hong Kong or elsewhere. For the avoidance of doubt, the buyer and the seller shall each pay the Transaction Levies in accordance with Rule 1103.
- 1101A. An Investor Compensation Levy shall be payable to the Exchange on every purchase or sale of:-
- (a) securities admitted to trading, listed, or approved to be listed on the Exchange carried out by an Exchange Participant; and
  - (b) China Connect Securities through the use of the China Connect Service by a China Connect Exchange Participant,
- in each case, whether as principal or agent and whether the transaction is arranged or concluded in Hong Kong or elsewhere. For the avoidance of doubt, the buyer and the seller shall each pay the Investor Compensation Levy in accordance with Rule 1103.
1102. (a) Every Exchange Participant which operates a business of dealing in securities shall collect the Transaction Levies and the Investor Compensation Levy payable pursuant to Rules 1101 and 1101A from its clients, or shall be liable itself if it deals as principal. In the event that an Exchange Participant fails to collect the Transaction Levies and/or the Investor Compensation Levy from its clients, that Exchange Participant shall nevertheless be liable to the Exchange for payment of the Transaction Levies and/or the Investor Compensation Levy.
- (b) Every Special Participant shall collect the Transaction Levies payable pursuant to Rule 1101 from the relevant China Connect Market Participants. In the event that a Special Participant fails to collect the Transaction Levies from such China Connect Market Participants, the Special Participant shall nevertheless be liable to the Exchange for payment of the Transaction 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 FRC Transaction Levy shall be at a rate as specified from time to time in the 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 FRC 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.

- 1103A. No Investor Compensation Levy shall be payable for so long as an exemption notice made under section 25 of the Securities and Futures (Investor Compensation – Levy) Rules is in force. Participants will be notified of the exemption notice (and its termination) 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 FRC 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 FRC 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 FRC 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 FRC 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.
1106. (a) Within 7 days from the beginning of each month, an Exchange Participant shall submit to the Exchange a complete and signed return of the Transaction Levies and the Investor Compensation Levy payable pursuant to Rules 1101 and 1101A in respect of transactions carried out as principal or agent during the previous month and shall separately show the amounts it collected from clients during that month, in such form as specified by the Board from time to time. Without prejudice to the foregoing, the Board shall have the 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.
- (b) Within 7 days from the beginning of each month, a Special Participant shall submit to the Exchange a complete and signed return of the Transaction Levies payable pursuant to Rule 1101 payable in respect of transactions carried out by it 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 the power to require a Special Participant to make such returns at such other time(s) and in respect of such other period(s) as the Board may require.

1107. (a) An Exchange Participant shall remit within 15 days from the beginning of each month the total Transaction Levies and Investor Compensation Levy as stated in its return under Rule 1106(a) 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 Transaction Levies and Investor Compensation Levy due from an Exchange Participant or its clients referred to in Rule 1102(a), whether collected or not, relating to transactions of any period prior to the date of payment, shall be effected.
- (b) A Special Participant shall remit within 15 days from the beginning of each month the total Transaction Levies as stated in its return under Rule 1106(b) 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 Transaction Levies due from a Special Participant referred to in Rule 1102(b), whether collected from the relevant China Connect Market Participants or not, relating to transactions of any period prior to the date of payment, shall be effected.
1108. If any Participant fails to remit any SFC Transaction Levy, FRC 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 Financial Reporting Council Ordinance or the Securities and Futures (Investor Compensation-Levy) Rules (as the case may be) on the outstanding SFC Transaction Levy, FRC Transaction Levy and/or Investor Compensation Levy payable shall be imposed. If any SFC Transaction Levy, FRC Transaction Levy, Investor Compensation Levy and the surcharges remain unpaid at the end of the month in which the SFC Transaction Levy, the FRC 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 FRC 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.
1110. (a) When an Exchange Participant suspends or ceases its business of dealing in securities, 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 Rules 1106 to 1109 (where they apply to an

Exchange Participant) shall apply accordingly.

- (b) When a Special Participant suspends or ceases its order-routing business, it shall immediately notify the Exchange in writing, and such Special 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 Rules 1106 to 1109 (where they apply to a Special Participant) shall apply accordingly.

1111. [Repealed]

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 FRC Transaction Levy and Investor Compensation Levy are payable in accordance with the 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 FRC Transaction Levy and Investor Compensation Levy are payable in accordance with the Financial Reporting Council Ordinance and the Securities and Futures (Investor Compensation – Levy) Rules respectively.

1113A. [Repealed]

1114. The SFC Transaction Levy so collected by the Exchange under these Rules shall be paid to the Commission in accordance with the Securities and Futures (Levy) Rules and these Rules.

1114A. The Investor Compensation Levy so collected by the Exchange under these Rules shall be paid to the Commission in accordance with the Securities and Futures (Investor Compensation – Levy) Rules and these Rules.

1114B. The FRC Transaction Levy so collected by the Exchange under these Rules shall be paid to the Financial Reporting Council in accordance with the Financial Reporting Council Ordinance and these Rules.