

CHAPTER 10

SPECIAL LEVY

1001. A levy (“the special levy”) shall be payable to the Exchange on every purchase or sale of securities listed or admitted to trading on the Exchange carried out by a Participant whether as principal or agent, whether or not the transaction is arranged or concluded in Hong Kong or elsewhere and which is recorded on the Exchange. The special levy is payable in order to reimburse the Exchange in respect of its obligations under the Exchanges (Special Levy) Ordinance. For the avoidance of doubt, both the buyer and the seller shall each pay to the Exchange the amount of the special levy specified by the Exchange under Rule 1003.
1002. (a) Every Exchange Participant which operates a business of dealing in securities shall collect the special levy from its clients, or shall be liable itself if it deals as a principal. In the event that an Exchange Participant fails to collect the special levy from its clients, that Exchange Participant shall nevertheless be liable to the Exchange for payment of the special levy.
- (b) Every Special Participant shall collect the special levy from the relevant China Connect Market Participants. In the event that a Special Participant fails to collect the special levy from such China Connect Market Participants, the Special Participant shall nevertheless be liable to the Exchange for payment of the special levy.
1003. The rate of the special levy shall be such rate as specified under section 4 of the Exchanges (Special Levy) Ordinance or as varied from time to time under section 4A of that Ordinance, (rounded to the nearest cent) of the amount of the consideration for each purchase or sale of securities recorded on the Exchange. The rate of the special levy shall be notified to Participants by circular.
- 1003A. No special levy shall be payable for so long as a suspension order made under section 4A of the Exchanges (Special Levy) Ordinance is in force. The Participants shall be notified of the suspension order by circular.
1004. (a) An Exchange Participant shall state in every contract note to clients as a separate item the amount of the special levy payable to the Exchange.
- (b) A Special Participant shall state in every contract note as a separate item the amount of the special levy payable to the Exchange.
1005. (a) An Exchange Participant shall keep complete and true records of and maintain separate accounts for the special levy collected from clients and remitted to the Exchange. An Exchange Participant shall whenever called upon by the Board produce its books and records for inspection by any person authorised by the Exchange.
- (b) A Special Participant shall keep complete and true records of the special levy paid by it to the Exchange under Rule 1002(b). A Special Participant shall whenever called upon by the Board produce its books and records for

inspection by any person authorised by the Exchange.

1006. (a) Within 4 days from the beginning of each month, an Exchange Participant shall submit to the Exchange a complete and signed return of the special levy payable 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 Exchange from time to time. Without prejudice to the foregoing, the Exchange 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 Exchange may think fit. The return shall be accompanied by the amount of the special levy payable to the Exchange.
- (b) Within 4 days from the beginning of each month, a Special Participant shall submit to the Exchange a complete and signed return of the special levy payable in respect of transactions carried out by it during the previous month in such form as specified by the Exchange from time to time. Without prejudice to the foregoing, the Exchange shall have 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 Exchange may think fit. The return shall be accompanied by the amount of the special levy payable to the Exchange.
1007. If any Participant fails to remit the special levy to the Exchange within the period specified in Rule 1006, interest shall be payable at such rate as the Board may by resolution determine and which shall be notified to the relevant Participant in writing or notified to all Participants by circular. If the special levy and any interest thereon remains unpaid at the end of the month in which the special levy or any part thereof was 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 Exchange may also take legal action to recover the outstanding amount of the special levy and any interest thereon, and all the expenses for taking such action shall be borne by the Participant.
1008. Where the total amount of the special levy computed by a Participant and the accompanying return(s) it submits to the Exchange pursuant to Rule 1006 differs from the Exchange's own computation as to the amount of special levy payable, the Participant shall within 2 days after being required to do so pay to the Exchange the difference between its computation and the Exchange's computation and the determination of the Exchange as to the amount of special levy payable shall be final and binding on the said Participant. If the amount payable to the Exchange under this provision is not paid to the Exchange within the time specified, interest shall be payable thereon at the rate determined pursuant to Rule 1007.
1009. (a) Where 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 4 days after the date of suspension or cessation, such return to be accompanied by the amount of the special levy payable up to the date of suspension or cessation. In the event that the Exchange Participant fails to pay the said amount within the said period, interest shall be payable on

the said amount at the rate determined pursuant to Rule 1007.

- (b) Where 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 4 days after the date of suspension or cessation, such return to be accompanied by the amount of the special levy payable up to the date of suspension or cessation. In the event that the Special Participant fails to pay the said amount within the said period, interest shall be payable on the said amount at the rate determined pursuant to Rule 1007.

1010. Where a Participant fails to make a return required under the foregoing Rules, the Exchange may assess the amount of the special levy payable in respect of such Participant which shall be computed on the basis of the amount shown in the records of the Exchange for the month in respect of which the special levy is due, subject to any adjustments which the Board considers appropriate. The right to make an assessment shall be without prejudice to the right of the Exchange to obtain recovery of the special levy under any of the foregoing Rules.

1011. For the purposes of Rules 1001 to 1010 inclusive, “day” shall mean a trading day.