

**Severe Weather Trading of Hong Kong Securities and Derivatives Markets**  
**Frequently Asked Questions on Issuer, Trading, Clearing and Settlement Arrangements**

(Version Date: 15 July 2024)

Note: This document will be updated from time to time to reflect the latest development and market participants are reminded to refer to the latest version for further details.

**Contents**

Overall ..... 2  
Trading..... 4  
Clearing and Settlement..... 7  
Listing..... 10  
Support Measures..... 12

## **Overall**

### **1. What is the scope of operations of the securities and derivatives market at HKEX during severe weather conditions?**

Hong Kong's securities and listed derivatives markets, including Northbound and Southbound Trading under Stock Connect, derivatives holiday trading, and after-hours trading, will continue as normal during severe weather conditions. The trading, listing, clearing and settlement functions of these markets will remain operational as well.

### **2. What measures are there to ensure safety when implementing severe weather trading (SWT)?**

Personnel and investor safety remains a key priority for the implementation of SWT. Under SWT, all Participants (Exchange Participants and Clearing Participants are collectively referred to as "Participants") and related personnel should perform necessary operations in a fully digital and remote manner, with investors using non-physical means to place trade orders and conduct money transfers. Due to personnel and investor safety considerations, the provision of services via physical outlets, such as bank branches and the CCASS Depository counter, will not be available, and the provision of services via other physical outlets is also strongly discouraged. Employers are expected to have a fully remote operations plan in place.

### **3. How should Exchange Participants and Clearing Participants prepare for their operations under SWT?**

HKEX advises Exchange Participants ("EPs") and Clearing Participants ("CPs") and related personnel to make every attempt to achieve remote operations during SWT Days. While Participants should have fully remote operations plans, some firms may need more time to prepare for fully remote operations or may require physical presence of their designated staff as part of their contingency plans. If there is a need for designated staff to return to office during severe weather conditions, employers are advised to follow the guidance in Chapter 3 of HKEX's [consultation conclusions](#) of SWT. HKEX strongly encourages employers to reach mutually agreed arrangements with employees on the relevant working arrangements for SWT implementation, in accordance with the Code of Practice in Times of Adverse Weather and "Extreme Conditions promulgated by the HKSAR Government.

### **4. Are there any exemptions of fulfilling obligations during contingency situations such as power outages and network interruption under severe weather conditions?**

When Participants cannot fulfil their regulatory obligations or make payments on time while exhausting all reasonable means without risking personnel safety on a SWT Day, the SFC and HKEX will review each case and take appropriate actions on a case-by-case basis.

For failure to fulfil regulatory obligations, the SFC has indicated through HKEX's [consultation conclusions](#) that they will consider each case on its own merits and take into account all

relevant facts and circumstances in determining the appropriate regulatory approach. The SFC has issued a [circular](#) setting out the standards of conduct and internal controls expected of brokers for the implementation of SWT.

For late payment to HKEX, if a CP can prove that it has exhausted all reasonable means to attempt to make the payment, the clearing houses will consider the facts and circumstances of individual cases before determining if any disciplinary action is warranted.

For compliance with the Listing Rules, if an issuer encounters any genuine practical difficulties in complying with the Listing Rules due to extreme and unforeseeable conditions caused by SW, it may seek a waiver from the Stock Exchange of Hong Kong Limited (“SEHK”) that may be granted on a case-by-case basis.

**5. Are there any opt-in choices for brokers (i.e. voluntary participation for SWT)?**

As stated in the consultation conclusions, there will not be an opt-in model to avoid creating confusion and imposing additional operational and risk burden to the market. Upon the implementation of SWT, CPs are required to fulfil risk and settlement obligations on a SWT Day similar to a normal trading day. Participants should continue to observe and comply with the relevant exchange and clearing house rules on a SWT Day and should communicate with their clients in advance if they anticipate any variations in service provisions on a SWT Day.

**6. Would it be feasible to defer the clearing and settlement to the subsequent business day to avoid fund transfers during severe weather conditions?**

HKEX’s trading and settlement operations are designed to occur concurrently, making the postponement of settlement an impractical option. As the central counterparty, HKEX is committed to maintaining a secure, reliable and efficient infrastructure for the securities and derivatives markets of Hong Kong. Participants could get funds later than expected if settlement is delayed, which would make the system riskier. Due to the unpredictability of severe weather conditions, it is not feasible to collect margin in advance from CPs similar to the case of a pre-defined holiday. Therefore, settlement must occur on a SWT Day to ensure smooth operations of the clearing houses.

**7. Is access to co-location and remote hands services still available for EPs/CPs under severe weather conditions? Is there any back-up centre available for EPs/CPs during SWT?**

Regarding co-location, HKEX’s TKO Data Centre will still be available for Participants under SW conditions. Participants can visit TKO Data Centre if they have scheduled maintenance work for their data server. As well, HKEX will also continue to offer remote hands services, which are equipment related, to Participants who have reserved for the service, for use, with no difference from a regular trading day.

The availability of back-up centres will follow the existing arrangements<sup>1</sup>. HKCC and SEOCH Participants may request the On-Behalf-Of processing service from HKCC and SEOCH via email to input post-trade adjustment requests into DCASS on their behalf, subject to charges, resources availability at the time of request of such service and would be provided on a best effort basis<sup>2</sup>.

**8. Do all Participants need to declare their readiness for SWT? When will be the deadline?**

HKEX expects all participants except those admitted to the Assistance Scheme to make declarations of their readiness status for SWT on or before 30 August 2024.

HKEX acknowledges that some EPs and their respective CPs may need additional preparation time to be SW ready. EPs that consider themselves not yet ready for normal operations upon the launch of SWT may consider applying for the assistance scheme, which will give them more time to comply with certain SWT requirements, with application deadline on 29 July 2024.

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<sup>1</sup> CCASS back-up centre arrangement under SWT will follow as-is arrangement as stated in 17.2.2 and 17.3.2 of the HKSCC Operational Procedures. DCASS/CCMS backup centre will be closed during SW. HKATS SOS during after-hours session will be closed during SW. There is no back-up centre for securities market EPs.

<sup>2</sup> As stated in section 1.6 of "Clearing House Procedures for Futures/Options Contracts Traded on the Automated Trading System of the Exchange" and section 17.2 in "Operational Clearing Procedures for Options Trading Exchange Participants of SEOCH"

## **Trading**

### **9. What are the arrangements of stamp duty to be collected by HKEX and stamp duty-related reporting forms on a SWT Day?**

Stamp duty collection procedures will remain the same for payment of stamp duty to be collected by HKEX on a SWT Day. As trading will continue on a SWT Day, EPs are expected to submit documents in a timely manner via HKEX's Electronic Communication Platform (ECP) in anticipation of a SWT Day.

### **10. Is there any exemption from Active Quotes and Quote Requests for Listed Structured Products Liquidity Providers in the event of an interruption of index compilers services?**

In general, index compilers will continue to operate under SWT. According to 3.3(h) and 4.8(b) of the "Industry Principles on Liquidity Provision for Listed Structured Products", where the index level is not calculated or published as scheduled, Active Quotes (AQ) and Quote Requests (QR) will be exempted for any Listed Structured Product that linked to the affected index. For the avoidance of doubt, the existing practices to AQ/QR requirements will continue to apply during SWT.

### **11. Will clients who fail to fulfil payment commitments be considered as failing to fulfil established Client<sup>3</sup> requirements of their fund transfer if the transfer is interrupted due to severe weather conditions?**

During severe weather conditions, established Clients may be unable to complete fund transfers to the EP within the prescribed timeframe to settle outstanding margin calls while exhausting all reasonable means without risking personnel safety (such circumstances may include temporary power outages or the suspension of electronic money transfer channels). In these scenarios, HKEX considers it acceptable not to treat the outstanding margin call as an unfulfilled margin call for the purpose of the EP's assessment under Rule 617(b) if the EP confirms that the fund transfer was completed on the day immediately following the SWT Day and an established Client can provide the EP with documentary evidence, as appropriate, demonstrating the following:

- i. The client holds sufficient funds with bank to fulfil its margin obligations; and
- ii. Justification to substantiate the delay in fund transfer.

### **12. What are the arrangements of Large Open Position ("LOP") Reporting on a SWT Day?**

To maintain the LOP monitoring capability during a SWT Day, existing reporting arrangements will be applied, and Participants will be required to file LOP report(s) with Hong Kong Futures Exchange Limited ("HKFE") or SEHK for the reportable positions on a SWT Day if it is a trading day for HKFE or SEHK products.

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<sup>3</sup> The definition of established Client carries the same meaning as that in rule 617 in the Rules, Regulations and Procedures of the Futures Exchange.

In order to ensure the effective implementation of the LOP reporting arrangements during a SWT Day, Participants are reminded to observe the notification requirements stipulated in HKFE Rule 633(c) and 5.10 of the Operational Trading Procedures for Options Trading Exchange Participants of SEHK pertaining to informing their clients of the reporting requirements and the responsibilities of reporting. Participants are required to communicate to their clients on such requirements to ensure their compliance at all times including SWT Days.

**13. Will there still be special handling of Official Settlement Prices for weekly and monthly contracts on the Hang Seng Index, Hang Seng China Enterprises Index and Hang Seng TECH Index on a SWT Day?**

The special handling (i.e. postponement of the expiration date due to SW conditions) will no longer be applicable. The procedures for settling derivatives on a SWT Day would follow that of a normal trading day, except for HIBOR futures contracts. Should the last trading day of the one-month and three-month HIBOR futures falls on a SWT Day, the final settlement price will be based on the HIBOR rate on the trading day following the severe weather conditions and the corresponding clearing service will be extended accordingly. However, HKFE will continue to have the discretion to determine the official or final settlement price of contracts in situations where the calculation of these prices would otherwise be impossible, or the prices would be unrepresentative.

## **Clearing and Settlement**

### **14. How will physically delivered forms to HKEX or forms that involve physical processes be handled?**

In general, during SWT Day, if the submission of physical forms is required (including paper-form instruction like Cross-Border Transfer Instruction from CCASS to Foreign Market and stock deposit forms, CCASS forms for listed products on US underlying securities), HKSCC will accept emails with electronic copy attachments of the signed form before the specified deadline followed by the submission of the original copies on the following day after SWT Day.

For creation/redemption of exchange traded funds and leveraged and inverse products (collectively, “ETPs”) that only accepts fax authorisation or confirmation, HKEX will accept electronic copies of signed forms via email as a business contingency during SWT. For book-entry authorisation forms that require physical submissions to HKEX in the ETP creation and redemption process, HKEX will accept the original creation/redemption forms to be physically delivered on the following normal business day after SWT. Alternatively, Participating Dealers can enrol for electronic submission of book-entry orders via the CCASS Terminal.

### **15. Does buy-in exemption apply to situations such as failed delivery due to unavailability of physical certificate deposit services or client/custodian bank on a SWT Day?**

Buy-in exemption can be applied on contingency grounds. CPs should provide related proof, such as proof of the physical certificate or suspension of clients/custodian system. If CPs are unable to provide the supporting documents on the SWT Day, they can submit the physical documents on the following day after SWT Day, but they must apply for buy-in exemption and communicate with HKSCC via email/phone any issues on a SWT Day. Where the buy-in exemption applied for is based on the grounds of contingency, it will not count towards CP's quota and the related default fee will be refunded.

### **16. Will creations and redemptions for ETPs proceed as normal during a SWT Day?**

The creation and redemption for ETP may proceed as normal during a SWT Day and it is subject to the ETP manager's acceptance of the creation/redemption application on any trading day and its acceptance of extended settlement application on any due date for settlement. ETP managers are advised to communicate with the appointed market practitioners of the fund (i.e. Custodian, Trustee, Share Registrar, and Participating Dealers, etc.) their arrangements on a SWT Day to assess the potential impact on ETP creation and redemption. Taking into account the operations of, and services provided by, these parties on a SWT Day, ETP managers should take appropriate measures to ensure normal operations as far as possible and ensure investors are properly informed of any material information concerning the ETP creation and redemption process. For details, please refer to SFC's [Circular to Management Companies of SFC-authorized Investment Products Listed on The Stock Exchange of Hong Kong Limited concerning Severe Weather Trading of Hong Kong Securities and Derivatives Markets](#).

**17. Is there any alignment on the date for determining eligibility of entitlement in CCASS and the last registration date for physical certificates under SWT?**

The date for determining eligibility of corporate actions in CCASS will remain unchanged for all corporate actions under SWT, regardless of whether the concerned corporate action is with or without ex-entitlement arrangement.

HKSCC will refer to the original last registration date (i.e. the SWT Day) as the date for determining eligibility of corporate actions in CCASS for CPs, even though the last registration date announced by listed issuers will be deferred pursuant to Practice Note 8 to the Main Board Listing Rules to give these holders sufficient time to complete registration.

To cater for the potential physical deposit and withdrawal on the postponed last registration date, the relevant entitlements in CCASS will be adjusted accordingly to reflect such deposit and withdrawal with CCASS.

Shareholders who hold physical certificates are required to deliver the certificates to share registrars for registration on the day the physical outlets resume operations (i.e. the postponed last registration date) due to the closure of the physical outlets during SWT Day(s). As such, the last registration date will be postponed to give these holders sufficient time to complete registration. HKSCC will notify the relevant CPs regarding any adjustment in entitlements or fees for reconciliation purpose. The process of adjustment in entitlement is similar to adjustments being made currently under different circumstances (e.g. unsuccessful registration of physical certificate).

**18. What is the arrangement for delisting and spin-off events on a SWT Day?**

In CCASS, the effective date of the delisting will be carried out on a SWT Day as scheduled. For spin-offs, the date for determining eligibility of entitlement in CCASS will not be changed, even if the date falls on a SWT Day. To cater for the potential physical deposit and withdrawal on the postponed last registration date, the relevant entitlements in CCASS will be adjusted accordingly to reflect such deposit and withdrawal in CCASS. HKSCC will arrange the distribution of entitlement (the assured entitlement of spin-off event) when severe weather conditions are cancelled.

**19. What is the arrangement for payment date of cash dividends on a SWT Day?**

The payment date of cash dividends is dependent on issuers' availability to provide good funds to HKSCC. If the issuer pays via electronic means, cash dividend will be paid upon receipt of the good funds on the same day. If the issuer pays via paper cheques or other non-electronic means, HKSCC will arrange payment when severe weather conditions are cancelled in accordance with HKSCC Operational Procedures.



**20. Where there is physical deposit of securities on the day after SWT, how will the entitlements be captured in CCASS?**

The entitlement in respect of the securities deposited into CCASS will be included in the aggregated entitlement of the relevant CPs. HKSCC will notify the relevant CPs regarding adjustment in entitlements or fees via existing CCASS Reports and supplementary advice (if applicable) for reconciliation purposes.

**21. Can corporate action instruction forms be submitted via electronic means?**

Unless otherwise required by the issuers or relevant rules, all corporate action instruction forms can be submitted to HKSCC via electronic means. In the rare event that physical documents are required, CPs can submit the materials to HKSCC electronically followed by the submission of the original copies on the following day after SWT Day.

## **Listing**

### **22. Will listing of new securities proceed on a SWT Day? Will the IPO FINI process remain unchanged during severe weather conditions?**

Listing and the first day of trading of new securities will proceed as usual on a SWT Day. Under FINI procedures, contingency arrangements are already in place between share registrars and HKSCC to allow the delivery of the electronic copies of records that reflect securities ownership. Share registrars would not need to deposit physical securities into CCASS Depository on a SWT Day and could do so on the following day after SWT Day. Companies seeking to list can proceed with the process as per FINI's arrangements during severe weather conditions.

### **23. What is the arrangement of listing ceremonies on a SWT Day?**

If severe weather conditions are in effect at any time prior to 7:30 a.m. on a listing date but such severe weather conditions are lowered or cancelled at or before 7:30 a.m., the scheduled listing ceremonies will take place at 9:30 a.m. as usual. If such severe weather conditions are lowered or cancelled after 7:30 a.m., the scheduled listing ceremonies will not take place and will instead be postponed to another business day, as agreed between HKEX and the listing applicant(s). HKEX's Events Management team will maintain prior close contact with the designated contact point of the listing applicant(s) to make alternative arrangements if severe weather is expected to occur on a listing date.

### **24. What is the arrangement of listed issuers' scheduled meetings or shareholder events on a SWT Day?**

Listed issuers can postpone physical general meetings for SW in line with current practice. As stated in the [Guide on General Meetings](#) (paragraph 3.4(g)), listed issuers, particularly those whose general meetings are held in typhoon or heavy rainfall seasons, should set out in their notices of general meeting and/or announcements or circulars the meeting arrangements in case of bad weather. They should also issue an announcement if they subsequently anticipate that their general meetings may be affected by bad weather.

### **25. How is prospectus registration handled on a SWT Day?**

As mentioned in [HKEX-GL118-23](#) and section 6.6 of the [Guide of New Listing Applicants](#), prospectus authorisation and registration must be conducted electronically from 1 July 2024, following the implementation of the Exchange's expanded paperless listing regime. This has enabled listing applicants to register their prospectuses electronically and remotely on a SWT Day. Listing applicants would, as now, have the option to postpone registration of their prospectus on a SWT Day if they wished to do so (e.g. if their legal counsel or sponsor was not available on a SWT Day). However, the ability to register their prospectus electronically should mean that listing applicants have the option to keep to their listing timetable instead.

**26. Is virtual Listing Committee's hearing allowed for sponsors to attend if it falls on a SWT Day?**

SEHK will hold regular meetings of the Listing Committee virtually if the date of the meeting falls on a SWT Day, to avoid any postponement. Sponsors will be asked to make themselves available to attend such virtual meetings. For disciplinary and review hearings of the Listing Committee, the Listing Committee Secretariat will inform the review applicants and/or the parties concerned of any postponement arrangements by email in advance of the originally scheduled hearings in line with current practice.

## **Support Measures**

### **27. It was mentioned in the consultation conclusions paper that assistance will be provided to qualified Participants. What are the reasons for providing such assistance? How will brokers be ready after the assistance period?**

The assistance aims to provide additional time for small-and-medium-sized brokers who may not be able to complete their system or infrastructure enhancements to conduct remote operations before the implementation of SWT. Participants who require assistance should apply and be approved by HKEX in order to become Qualified Participants. Qualified Participants shall not be a General Clearing Participant and the size of business shall not exceed a specified scale. However, trading restrictions will be imposed on the Qualified Participants (e.g. trading will be restricted to risk reducing trades only) on each SWT Day. Participants are strongly encouraged to pre-fund their payment obligations to the extent possible. HKEX is committed to facilitating market participants' readiness, offering assistance in connecting with vendors and providing technical support. It is advised that all the Participants which are admitted to the assistance programme take all necessary actions, such as system upgrades or manpower allocation, to be SWT ready by the end of the assistance period on 31 December 2024.

### **28. What waivers will Qualified Participants be entitled to on SWT Day?**

Waivers to be granted vary from each exchange and clearing house. In general, during the assistance period, Qualified Participants who fail to fulfil the delivery obligations in relation to the settlement of a Physical Delivery Contract in HKCC or the payment obligations as set forth in the rules and procedures of HKSCC, HKCC and SEOCH which failure constitutes an event of default (delivery/payment obligations) on a SWT Day will not be subject to additional financial cost or disciplinary action, provided that the Participants will have settled the delivery/payment obligations immediately after the SWT Day. For the avoidance of doubt, such delivery/payment obligations will not include any payment obligations which are ad-hoc or event-driven in nature such as rights issues and IPOs. For details, please refer to the circular published by individual exchanges and clearing houses.

### **29. What is the rationale behind imposing trading restrictions on Qualified Participants ?**

Keeping our markets open during severe weather conditions reinforces Hong Kong's position as the best-in-class international trading and risk management centre, and further aligns us with global standards. At the same time, to safeguard the interest of the market, it is imperative that market and systemic risks are managed effectively. Since HKEX would be temporarily fulfilling the margin payment or settlement obligations for Qualified Participants on a SWT Day during the assistance period, it is necessary to reduce the addition of new positions and the associated risks they entail. These measures are to ensure trading remains fair and orderly within the Hong Kong market during a SWT Day.

**30. How long is the assistance period? Will HKEX allow a change of Qualified Participants status during the assistance period?**

Yes, HKEX will allow a change of Qualified Participants status during the assistance period (23 September 2024 until end of 2024). Qualified Participants should submit the declaration form to confirm their readiness for SWT, after which they will be removed from the list of Qualified Participants.