Information Paper

Investor Identification Regime at Trading Level for the Securities Market in Hong Kong (HKIDR)

INFORMATION PAPER ON

INVESTOR IDENTIFICATION REGIME AT TRADING LEVEL

FOR THE SECURITIES MARKET IN HONG KONG

(HKIDR)

March 2023

Modification History

Version	Date	Modified by	Synopsis
1.0	13 Aug 2021	HKEX	First issue
1.1	17 Jun 2022	HKEX	Updated the time requirement for inputting buy-side BCAN for off-exchange trade
1.2	17 Mar 2023	HKEX	Updated the description on the submission party of Aggregated Transaction Report

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SECTION 1: INTRODUCTION

1. On 4 December 2020, the Securities and Futures Commission (**SFC**) published a consultation on a proposal to implement an investor identification regime at trading level for the securities market in Hong Kong (**HKIDR**). Based on the consultation conclusion published by the SFC on 10 August 2021, the SFC has decided to proceed with the implementation of the HKIDR.

2. Under the HKIDR, when an order is submitted or arranged to be submitted to the trading system of The Stock Exchange of Hong Kong Limited (**SEHK**), Orion Trading Platform - Securities Market (**OTP-C**), for execution (**on-exchange order**) or where an off-exchange trade (i.e. manual trade) is reported to SEHK (**OE Trade Reporting**) by an Exchange Participant[1] (**EP**) according to SEHK's Rules of the Exchange (**SEHK Trading Rules**), the order or OE Trade Reporting would be required to include an identification code assigned to the relevant client (**Relevant Client**)[2]. This would enhance market surveillance by identifying the originators of the orders and trades.

3. This information paper presents details of the HKIDR to be implemented in the Hong Kong securities market and is applicable to SFC-licensed corporations (**LC**) and registered institutions (**RI**) subject to the HKIDR (**Relevant Regulated Intermediaries**)[3] pursuant to the proposed paragraph 5.6 of the SFC's Code of Conduct for Persons Licensed by or Registered with the SFC (the "**SFC Code of Conduct**") as set out in the Appendix C in the SFC's consultation conclusions paper. The paper takes into account what would be practical and feasible for market participants to implement within the tentative implementation timeframe. The SFC and HKEX have discussed the tentative implementation timeline presented in this paper.

4. For the purpose of this paper, a Relevant Regulated Intermediary refers to a Relevant Regulated Intermediary which may or may not be an EP whereas a Relevant Regulated Intermediary which is not an EP shall be referred as a "**non-EP Relevant Regulated Intermediary**".

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[1] This refers to an Exchange Participant as defined in the Rules of the Exchange.

[2] "Relevant Client" is referred to as "client" and is defined in the proposed paragraph 5.6(m) of the SFC Code of Conduct as set out in Appendix C of the SFC's Consultation Conclusions.

[3] A Relevant Regulated Intermediary also refers to an LC or RI which (i) carries out proprietary trading; or (ii) provides securities brokerage services for another person in respect of orders placed through an account opened and maintained for that person.

SECTION 2: THE HKIDR

Overview of the regime

5. Under the HKIDR, Relevant Regulated Intermediaries are required to assign a unique Broker-to-Client Assigned Number (**BCAN**) to each of their Relevant Clients who have placed or propose to place an on-exchange order or an off-exchange order which could result in OE Trade Reporting in securities listed and/ or traded on the trading system of SEHK.   Each BCAN should be mapped to the client identification data (**CID**) of that particular client which includes the client's name, identity document (**ID**) issuing country or jurisdiction, ID type and ID number. A Relevant Regulated Intermediary is required to submit the BCAN-CID mappings of all of its Relevant Clients in one file (**BCAN-CID Mapping File**) to SEHK before the prescribed cut-off time on the day before the day of trading for such client (**T-1 day**), except for new clients who wish to trade on the day of account opening or clients whose accounts have remained dormant[4], as referred to in paragraph 8 below.   It would be necessary to submit the BCAN-CID Mapping File again only when there is a change in the BCAN-CID Mapping File (e.g. change in a Relevant Clients' CID, addition of new clients' CID, closure of the clients' accounts, and cessation of business of the Relevant Regulated Intermediaries).

6. On each trading day (**T day**), Relevant Regulated Intermediaries are required to tag the relevant BCAN to every on-exchange order (including orders received directly through the Relevant Regulated Intermediaries' online and mobile trading facilities) as well as to every off-exchange trade reportable to SEHK.   Appendix 1 illustrates the overall operational arrangements of the HKIDR.

7. For the avoidance of doubt, off-exchange trades in this paper refer to trades conducted outside SEHK's trading system and which are required to be reported to SEHK by EPs within the timeframe prescribed under the SEHK Trading Rules[5]. These are those "manual trades" concluded by EPs, and may include trades matched between clients of an EP or two different EPs directly through an alternative liquidity pool as well as trades matched on a pre-IPO trading platform operated by a Relevant Regulated Intermediary licensed or registered to conduct Type 7 regulated activity under Part V of the Securities and Futures Ordinance

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[4] Dormant accounts refer to those which have been inactive for 24 months since last trade (irrespective of account balance or movement).

[5] This is stipulated under the SEHK Trading Rules 501F(1)–(2) and 526(1)–(2) in the case of Direct Business Transactions, and the SEHK Trading Rules 501E(2) and 520(1)-(2) in the case of Non-Direct Business Transactions.

(**SFO**).

8. In order to facilitate the trading of (i) new clients who wish to trade on the day of account opening, and (ii) clients whose accounts have remained dormant, these clients will be allowed to place orders on T day provided that a BCAN has been assigned by the Relevant Regulated Intermediary for any such client and is tagged to the order or manual trade.   In such case, the Relevant Regulated Intermediary is required to include these newly assigned BCANs in the BCAN-CID Mapping File and submit to SEHK by 4:30pm on T day.

Scope of the regime and parties subject to the requirements under the regime

9. The regime is applicable to any Relevant Regulated Intermediary which submits for execution on-exchange orders or conduct OE Trade Reporting, for itself or its clients for securities listed and/ or traded on SEHK[6].   The regime is not applicable to odd lot orders and trades[7] (save for underlying orders in an executed aggregated order) but voluntary tagging of BCAN for odd lot orders and trades is allowed.   The regime is also not applicable to trades reported via SEHK's trade amendment system.

10. For the avoidance of doubt, a non-EP Relevant Regulated Intermediary is also required to comply with the requirements under the regime pursuant to the SFC Code of Conduct even though it does not place orders directly to SEHK's trading system or is not subject to the OE Trade Reporting requirements under the SEHK Trading Rules.   Under the HKIDR, EPs and non-EP Relevant Regulated Intermediaries are required, among other things, to (i) assign a BCAN to each of its Relevant Clients; (ii) submit BCAN-CID Mapping Files to SEHK; and (iii) tag an order with a BCAN.   These requirements are further described under the headings "BCAN", "Collection and submission of CID", and "Real-time tagging of BCAN" respectively in this section.

11. If a Relevant Regulated Intermediary receives an on-exchange order which is already tagged with a BCAN, the Relevant Regulated Intermediary shall not be required to assign and tag another BCAN to such order, and should ensure that

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[6] Where a special lot order is with a quantity of shares larger than one board lot and the quantity may not be in integral multiples of one board lot of shares (e.g. 2300 shares, with 2000 shares being board lot), this special lot order must be tagged with a BCAN.   This also applies to tagging of aggregated orders and reporting of underlying allocation of aggregated trades.

[7] Securities in odd lot refer to a quantity of the lot that is less than one board lot.

the BCAN is passed along.

12. For the reporting of off-exchange trades conducted by EPs, such OE Trade Reporting will need to be reported on a trade-by-trade basis with BCANs of both the buyer and seller included.   For the avoidance of doubt, the EPs of the buyer client and the seller client should both tag the buy-side BCAN and the sell-side BCAN respectively to the off-exchange trade to SEHK.   The procedure and timing of reporting is further described in paragraphs 28-32.

BCAN

Generation, assignment and format of BCAN

13. Relevant Regulated Intermediaries are required to generate and assign a BCAN to each of their Relevant Clients who are not Relevant Regulated Intermediaries (and to themselves in the case of proprietary trades) following a standard format, which is a code consisting of a number not exceeding 10 digits representing the client.   When tagging the BCAN to an order, the BCAN field should contain the CE number of the Relevant Regulated Intermediary (i.e. the CE number of the Relevant Regulated Intermediary who assign the BCAN) followed by a separator dot and then the BCAN number (as discussed in paragraph 24 and also illustrated in Appendix 2).

14. Each BCAN should be unique to each Relevant Client of the Relevant Regulated Intermediary, and should be kept strictly confidential and only accessible on a need-to-know basis.   The BCAN should not be generated, assigned or handled in a way which would identify any individual client or otherwise compromise the confidentiality of the identity of the client or give rise to non-compliance with the applicable privacy laws.

15. The BCAN shall also be assigned as follows:

    (i) If a client has multiple accounts with a Relevant Regulated Intermediary, the Relevant Regulated Intermediary may (1) assign one BCAN to that client across all accounts held except for any joint account of the client and, alternatively, may (2) assign multiple BCANs to that client to distinguish between orders placed through different accounts and all these different BCANs shall be mapped to the same CID.

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(ii) A separate BCAN shall be assigned to each joint account.   For example, if a client who holds an account in his sole name with a Relevant Regulated Intermediary and is assigned a BCAN also has a joint account with another client of the Relevant Regulated Intermediary, the Relevant Regulated Intermediary should generate and assign another BCAN to that joint account and that BCAN should be tagged and used in respect of the orders and trades placed from that joint account.

16. Under the HKIDR, the BCAN assigned to a client shall not be changed.   If a BCAN that is assigned to a client needs to be amended to another unassigned BCAN in exceptional cases (e.g. a new BCAN needs to be assigned to a client due to system upgrade), the Relevant Regulated Intermediary is required to notify SEHK with reasons of BCAN re-assignment by submitting the BCAN Change Report via the Electronic Communication Platform (**ECP**).   Once a new BCAN is assigned to a client or client's account, the former BCAN used for that client/ account should cease to be used.   In other words, the Relevant Regulated Intermediary should not use the former BCAN and the new BCAN interchangeably for the same client.   For the avoidance of doubt, under no circumstances should a BCAN, once assigned, be used for other clients of the same Relevant Regulated Intermediary.

17. The HKIDR and the investor identification regime launched on 26 September 2018 for northbound trading (**NB Investor ID Regime**) under Stock Connect are expected to work independently.   For those EPs who are registered as China Connect Exchange Participants or EPs trading through a China Connect Exchange Participant, they may assign the same (i.e. the randomly assigned number not exceeding 10 digits) or different BCAN to a client under both regimes.

Relevant Client to whom a BCAN should be assigned

18. Relevant Regulated Intermediaries should refer to the proposed paragraph 5.6 of the SFC Code of Conduct as set out in the Appendix C in the SFC's consultation conclusions paper for BCAN assignment requirements. They may also refer to Appendix B of the Consultation Conclusions for further illustrations of assignment of BCAN to Relevant Clients under different scenarios.

Collection and submission of CID

Type of information constituting the CID

19. Relevant Regulated Intermediaries should refer to the proposed paragraph 5.6 of the SFC Code of Conduct paragraph 5.6, as set out in Appendix C of the SFC's Consultation Conclusions, for the appropriate information to be collected as CID from the Relevant Client.

20. Relevant Regulated Intermediaries should establish appropriate arrangements to ensure the investor information included in the CID is accurate and up-to-date, and to also promptly update SEHK of any changes via the BCAN-CID Mapping File submission (which is further discussed in the following section).

Submission of BCAN-CID Mapping File to SEHK

21. The Relevant Regulated Intermediary which assigns the BCAN to the Relevant Client should also be the Relevant Regulated Intermediary which collects the CID from that client. After collection of the CID, the Relevant Regulated Intermediary should put the CID and BCAN information of the client into a file, namely "BCAN-CID Mapping File", in a format designated by SEHK (please refer to the "File Interface Specification" for further details). In particular:

   (i) Relevant Regulated Intermediaries should submit the BCAN-CID Mapping File to SEHK via the ECP; and

   (ii) The use of the ECP for the submission of BCAN-CID Mapping Files will be subject to the terms of use of the ECP and the Relevant Regulated Intermediary must provide the relevant representations, including that the relevant consent has been obtained from their individual Relevant Clients (see section below headed "Data privacy laws and consent from investors").

22. Each Relevant Regulated Intermediary has to have measures in place to ensure that the BCAN-CID Mapping File is submitted to SEHK via the ECP by 4:30pm on T-1 day. As mentioned in paragraphs 5 and 8, the BCAN-CID Mapping File does not have to be submitted by the Relevant Regulated Intermediary on T-1 day for (i) new clients who wish to trade on the day of account opening, and (ii) clients whose accounts have remained dormant.

23. Each Relevant Regulated Intermediary shall submit the most up-to-date investor information of its Relevant Clients to SEHK.

(i)   Before the implementation of the HKIDR[8], each Relevant Regulated Intermediary should submit to SEHK on or before a designated date[9] a BCAN-CID Mapping File containing the mappings of all of its Relevant Clients who intend to conduct trading via their account(s) with the Relevant Regulated Intermediary.   In particular:

   a.   Client consent for the transfer of client's personal data to SEHK and the SFC must be obtained before they submit the BCAN-CID Mapping File.   After the implementation of the HKIDR, a Relevant Regulated Intermediary shall place sell orders only for a client on T day unless the relevant consent from the client is obtained;

   b.   The BCAN-CID Mapping File for existing clients of the Relevant Regulated Intermediary should be submitted by the designated date mentioned above to ensure smooth operation of the regime; and

   c.   If the BCAN-CID Mapping File is not submitted by T-1 (except for dormant clients and newly onboarded clients), the Relevant Regulated Intermediary may be subject to follow-up enquiries and further actions from SEHK and the SFC for non-compliance with the relevant regulations[10].

(ii)   The Relevant Regulated Intermediary is required to submit the BCAN-CID Mapping file whenever there is any update (e.g. change in a Relevant Clients' CID, addition of new clients' CID, closure of the clients' accounts, and cessation of business of the Relevant Regulated Intermediaries), and in each such case a full BCAN-CID Mapping File of all the Relevant Regulated Intermediary's Relevant Clients shall be submitted to SEHK, including those clients whose BCAN-CID mapping data have not changed.

(iii)   Once SEHK receives a BCAN-CID Mapping File from a Relevant Regulated Intermediary, its system will conduct a validation check on the formatting of file content.   A response file (BCAN-CID Response File) will

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then be given back to the Relevant Regulated Intermediary for reference[11]. If any formatting error is identified in the records contained in the BCAN-CID Mapping File, a list of failed records will be provided in the BCAN-CID Response File.   In such cases, the Relevant Regulated Intermediary shall correct the errors and re-submit the BCAN-CID Mapping File to SEHK before the prescribed cut-off time.   As mentioned further in sub-paragraph (vii), orders tagged with a non-recorded BCAN (i.e. BCAN which is not included in BCAN-CID Mapping File and validated by SEHK's system) will not be rejected by SEHK's trading system although the Relevant Regulated Intermediary may be subject to follow-up enquiries and further actions from SEHK and the SFC for non-compliance with the relevant regulations.

(iv)   If the Relevant Regulated Intermediary has submitted more than one BCAN-CID Mapping File on T-1 day, the last BCAN-CID Mapping File processed by SEHK before the prescribed cut-off time will be taken as the official T-1 day record.   If the Relevant Regulated Intermediary did not submit any BCAN-CID Mapping File on T-1 day but has submitted BCAN-CID Mapping File(s) before, the last BCAN-CID Mapping File received by SEHK from the Relevant Regulated Intermediary will prevail.

(v)   If a client has multiple BCANs (e.g. a client has opened different accounts with different divisions within a Relevant Regulated Intermediary, each division assigning a distinctive BCAN for the same client and therefore each division has prepared the CID of the client), that Relevant Regulated Intermediary is itself in charge of consolidating the CID of those different BCANs into a single BCAN-CID Mapping File.   The ECP will not provide different log-in for different divisions within a Relevant Regulated Intermediary to submit multiple BCAN-CID Mapping Files.   As mentioned in sub-paragraph (iv), if multiple BCAN-CID Mapping Files are submitted within a day, the last one processed by SEHK before the prescribed cut-off time will be taken as the final record and will overwrite the preceding ones.

(vi)   As for (i) new clients who wish to trade on the day of account opening, and (ii) clients whose accounts have remained dormant, the BCAN and CID of

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[11]   Normally the BCAN-CID Response File is given back to the Relevant Regulated Intermediaries within 10 minutes after submitting the BCAN-CID Mapping File.

such clients are allowed to be submitted (i.e. by way of inclusion in the BCAN-CID Mapping File) by 4:30pm on the trading day (i.e. T day) when the client places an order.

(vii) Unlike the NB Investor ID Regime where those BCANs and CID in the BCAN-CID Mapping File that could not pass the validation conducted on T-1 day cannot be used for trading on T day and the relevant order tagged with the relevant BCAN will be rejected, orders under the HKIDR tagged with a non-recorded BCAN (i.e. BCAN which is not included in BCAN-CID Mapping File and validated by SEHK's system) will not be rejected by SEHK's trading system. However, the Relevant Regulated Intermediary may be subject to follow-up enquiries from SEHK and the SFC.
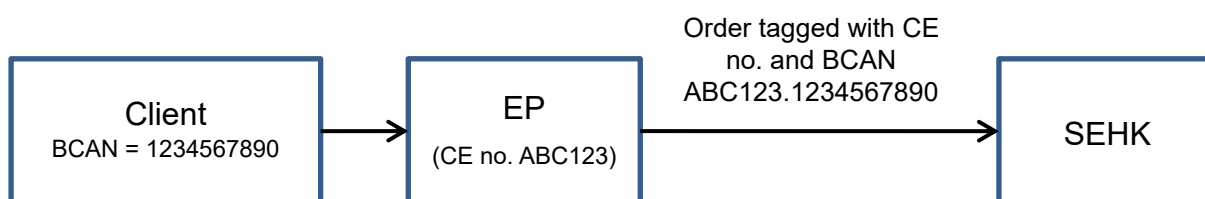
Real-time tagging of BCAN

Tagging of BCAN for on-exchange orders

24. Relevant Regulated Intermediaries are required to tag orders with the corresponding BCANs when submitting orders to SEHK (or through an EP in the case of a non-EP Relevant Regulated Intermediary) except for certain orders specified in the SFC Code of Conduct (e.g. aggregated orders and trades, in which case a specific code prescribed by SEHK should be tagged). When tagging the BCAN to an order, the BCAN field should consist of the CE number of the Relevant Regulated Intermediary who assigns the BCAN, and the BCAN assigned by the Relevant Regulated Intermediary to the Relevant Client. The CE number and the BCAN should be separated by a ".". For example, if the CE number of a Relevant Regulated Intermediary and the BCAN assigned to one of its clients are ABC123 and 0000002568 respectively, then "ABC123.2568"[12] should be tagged to each order of the client when submitting the order to SEHK.

25. SEHK will conduct real-time validation checks of whether a BCAN has been inputted with an order and whether the BCAN is inserted in the correct format. Where CE number and/ or BCAN is/ are not provided or CE number and/or BCAN is/ are in an invalid format, the relevant on-exchange order being inputted into OTP-C will be rejected. Please refer to paragraph 35 in the event that a Relevant Regulated Intermediary needs to correct a BCAN which has already been submitted or reported.
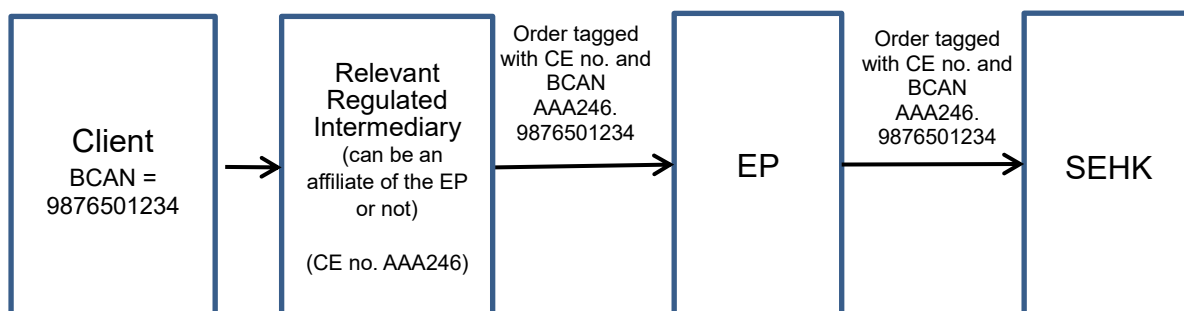
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[12] Leading zeros are not allowed and therefore have to be omitted.

26. The following examples illustrate the tagging requirements for agency trading under different scenarios.

(i) In respect of orders for a client (e.g. orders from a retail investor who is not a Relevant Regulated Intermediary) of an EP, the EP should include the corresponding BCAN of such client in its orders.   In this example where the EP has assigned a BCAN "1234567890" to the client who directly opens an account with it, the EP shall tag its CE number (i.e. CE number of the EP who assign the BCAN) and the BCAN "1234567890" in each order of the client when submitting the order to SEHK.

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┌──────────────────┐        ┌──────────────┐   Order tagged with CE   ┌──────────────┐
│      Client      │        │      EP      │   no. and BCAN           │              │
│ BCAN = 1234567890│───────▶│              │   ABC123.1234567890      │     SEHK     │
│                  │        │(CE no. ABC123)│ ────────────────────▶   │              │
└──────────────────┘        └──────────────┘                          └──────────────┘
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(ii) For orders routed through a chain of Relevant Regulated Intermediaries, the first client that is a non-Relevant Regulated Intermediary in the chain should be assigned a BCAN.   Each Relevant Regulated Intermediary along an intermediating chain has the responsibility to pass on the CE number and the BCAN assigned to the Relevant Client.   In this example orders are originated by a client of a non-EP Relevant Regulated Intermediary, which further routes the order to an EP.   The client of the non-EP Relevant Regulated Intermediary with CE number AAA246 has been assigned a BCAN "9876501234", and the non-EP Relevant Regulated Intermediary shall tag its CE number (i.e. CE number of the non-EP Relevant Regulated Intermediary who assign the BCAN) and BCAN "9876501234" in each order routed to the EP who further submits the order to SEHK.

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┌──────────┐   ┌──────────────┐  Order tagged    ┌──────┐  Order tagged     ┌──────┐
│  Client  │   │   Relevant   │  with CE no. and │      │  with CE no. and  │      │
│          │   │  Regulated   │  BCAN            │      │  BCAN             │      │
│ BCAN =   │──▶│ Intermediary │  AAA246.         │  EP  │  AAA246.          │ SEHK │
│9876501234│   │ (can be an   │  9876501234      │      │  9876501234       │      │
│          │   │ affiliate of │ ──────────────▶  │      │ ──────────────▶   │      │
│          │   │ the EP or not)│                 │      │                   │      │
│          │   │              │                  │      │                   │      │
│          │   │(CE no. AAA246)│                 │      │                   │      │
└──────────┘   └──────────────┘                  └──────┘                   └──────┘
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(iii) In this example orders are originated by a client of a non-Relevant Regulated

Intermediary, which is an overseas broker. The non-Relevant Regulated Intermediary further routes the order to the EP for execution. In this case, since this overseas broker who further routes the order to the EP is the first non-Relevant Regulated Intermediary in the order chain, BCAN should be assigned by the EP to this non-Relevant Regulated Intermediary. Assuming the EP has assigned a BCAN "9876501234" to this overseas broker, the EP shall tag its CE number and BCAN "9876501234" in each order of the affiliate when submitting the order to SEHK.

| Client	Non-Relevant Regulated Intermediary BCAN = 9876501234	EP (CE no. ABC123)	Order tagged with CE no. and BCAN ABC123.9876501234	SEHK
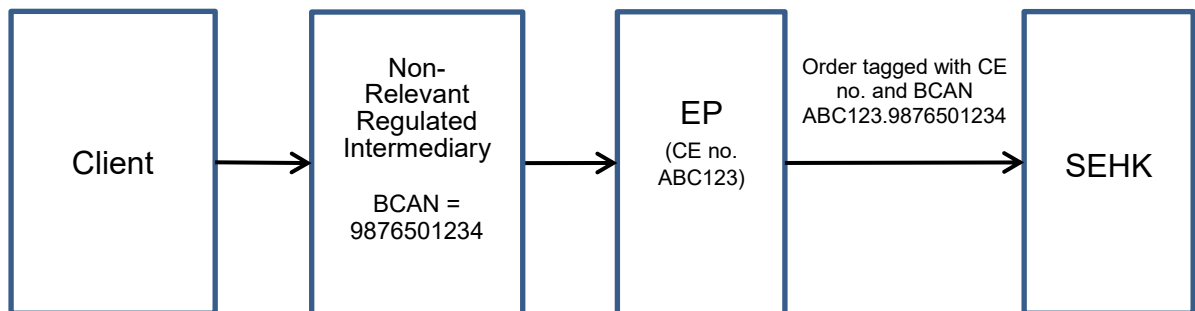
(iv) For orders from a fund manager managing multiple funds/ discretionary accounts, the BCAN to be tagged can be of the fund manager or the individual fund/ discretionary account holder, depending on whose account is used for placing the orders.

  a. In example (a) below where the order is initiated from an account opened in the name of the fund manager (a non-Relevant Regulated Intermediary), the EP should assign a BCAN "4567890123" to the fund manager and tag its CE number (i.e. CE number of the EP who assign the BCAN) and BCAN "4567890123" in each order of the fund manager when submitting orders from that account to SEHK. Even though the fund manager in this case could also be a LC and have its own CE number, the CE number of the EP will be used in this case as it is the entity that assigns the BCAN.
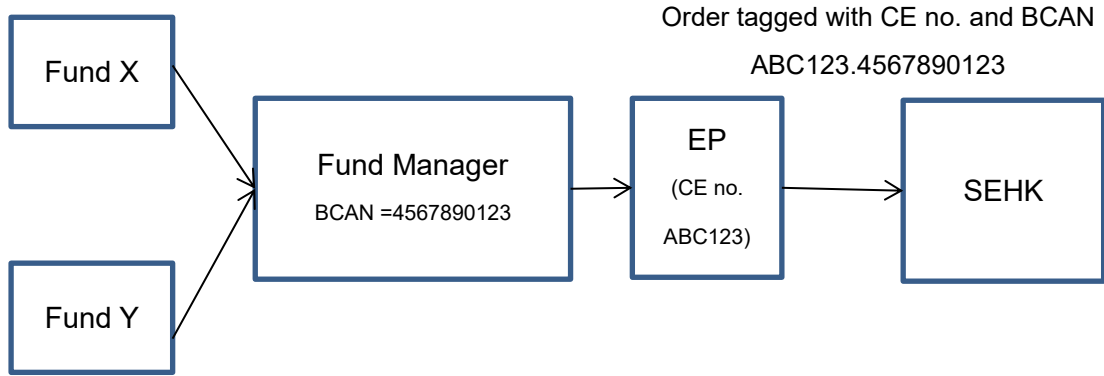
b. In example (b) below where the order is initiated from an account opened in the name of Fund Z, the EP should assign a BCAN "5678901234" to Fund Z and tag its CE number (i.e. CE number of the EP who assign the BCAN) and BCAN "5678901234" to each order from Fund Z when submitting the order to SEHK.
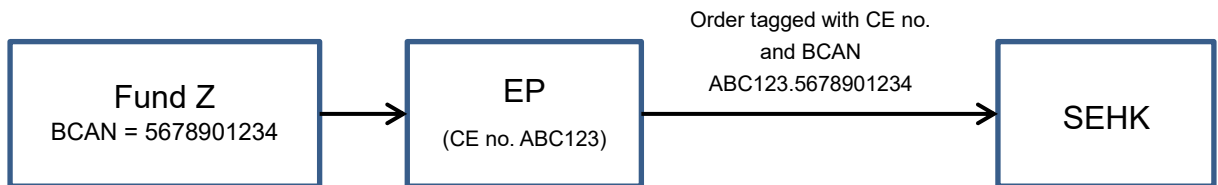
27. A Relevant Regulated Intermediary should assign a BCAN to itself when it conducts proprietary trading (see example below), and in the BCAN-CID Mapping File indicate client type as "proprietary trading" (as specified in the "System File Interface Specification") and fill in its own CID.
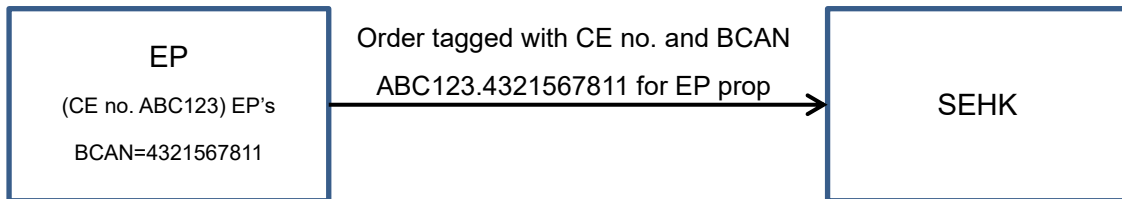
Tagging of BCAN for off-exchange trades by EPs

28. Same as today, the selling EP should input the off-exchange trade to OTP-C within 15 minutes after conclusion of the transaction together with BCAN tagged. SEHK will conduct real-time validation checks on whether a BCAN has been inputted for the sell side and whether the BCAN is inserted in the correct format. In case a BCAN is not provided or a BCAN in an invalid format is detected, the insertion of the off-exchange trade by the selling EP will be rejected.

29. After trade insertion of an off-exchange trade by a selling EP, the buying EP will be alerted of the trade via system message, and need to tag the BCAN for the buy side of the off-exchange trade within 15 minutes after the selling EP complete the trade insertion, or within 30 minutes after conclusion of the transaction, whichever is later.   In case the BCAN tagged is in an invalid format, the insertion of the buy side BCAN will be rejected.   The buying EP will not be able to view the sell-side's BCAN and vice versa for the selling EP.

30. In case the buying EP fails to insert the BCAN before market close, the buying EP needs to submit the Off-exchange Trade BCAN (Buy-side) Report to SEHK via the ECP to list out all off-exchange trades without buy-side BCANs tagged and to provide the relevant BCANs for each of the off-exchange trades.

31. Same as today, all reported off-exchange trades will be recorded in OTP-C when the selling EP completes the trade insertion, and remains valid whether or not the buy-side BCAN is subsequently tagged by the buying EP.   The trade information will be disseminated to the market immediately after the selling EP inputs the trade details into OTP-C.

32. In the case of direct business manual transaction where one EP acts for both the buyer and the seller, the EP concerned should input the off-exchange trade into OTP-C with both the buyer and seller BCANs entered in one go.   For direct business transactions which are ATS transactions, same as today, the reporting should be completed within 1 minute after the conclusion of the transactions.   For all other direct business manual transactions, same as today, the reporting should be completed within 15 minutes after the conclusion of the transactions.   In case any of the BCANs are not provided or a BCAN in an invalid format is detected for a direct business transaction, the insertion of the off-exchange direct business trade by the EP concerned will be rejected.

Aggregated orders and aggregated off-exchange trades for OE Trade Reporting

33. In the case of an aggregated order, the Relevant Regulated Intermediary shall tag a specific reserved BCAN value (the number value "2" in this case) to the aggregated order or aggregated off-exchange trade to be submitted to SEHK. For example, if the CE number of a Relevant Regulated Intermediary is ABC123, then "ABC123.2" should be tagged to the aggregated order or aggregated off-exchange trade being submitted to SEHK.

34. The Relevant Regulated Intermediary who originated the aggregated order or aggregated off-exchange trade should submit or arrange to submit the Aggregated Transaction Report via the ECP for aggregated orders that have been executed (fully or partially) and for aggregated off-exchange trades on or before market close on T+3 day. The Aggregated Transaction Report should contain information concerning the underlying orders executed, including BCANs of the Relevant Clients, quantity and execution price of the securities, etc. of the underlying orders executed. For the avoidance of doubt, for aggregated orders that have not been executed, no further reporting is required. For an aggregated order that has been partially executed, the Relevant Regulated Intermediary only need to report on the portion of the order that has been executed.

Amendment of BCANs submitted

35. In the event a Relevant Regulated Intermediary is aware that an incorrect BCAN has been tagged to an order and such order has not yet been executed, the Relevant Regulated Intermediary should cancel and re-input the order with the correct BCAN immediately. In this case the order will need to re-queue in the order queue and the order's original priority will be lost. If the order has already been executed, the EP executing the order should report to SEHK the correct information via the submission of a BCAN Error Report via the ECP.

36. As also mentioned in paragraph 16, if a BCAN that is assigned to a client needs to be amended to another unassigned BCAN in exceptional cases (e.g. a new BCAN need to be assigned to a client due to system upgrade), the Relevant Regulated Intermediary is required to notify SEHK with reasons of BCAN re-assignment by submitting the BCAN Change Report via the ECP.

37. For a Structured Products Liquidity Provider who may make use of the "quote"

function in OTP-C to place orders for the purpose of liquidity provision[13], the "update quote" function can be used if the BCAN needs to be updated. After the update of BCAN for quote, the relevant Structured Products Liquidity Provider should submit a BCAN Change for LP Quote Report via the ECP to provide the reason for the BCAN change.

38. Where a client closes the account with a Relevant Regulated Intermediary, it is expected that a BCAN-CID Mapping File with the client's relevant BCAN removed be submitted and SEHK will then mark the relevant BCAN as inactive. If a Relevant Regulated Intermediary ceases business, it should submit a blank BCAN-CID Mapping File accordingly and all the BCAN previously submitted by the Relevant Regulated Intermediary will be marked as inactive. It should be noted that if any subsequent order is tagged with an inactive BCAN, the Relevant Regulated Intermediary may be subject to follow-up enquiries and further actions from SEHK and the SFC for non-compliance with the relevant regulations.

Data privacy laws and consent from investors

39. Relevant Regulated Intermediaries are expected to comply with the applicable privacy laws and any requirement imposed by the SFC, including obtaining the written or other express consent from the Relevant Clients for the transfer of their personal data to SEHK and the SFC under the HKIDR in a form and manner that is in compliance with the requirements of the SFC. If the necessary consent cannot be obtained from a client by the Relevant Regulated Intermediary, the Relevant Regulated Intermediary shall only input sell order for the client in respect of the client's existing holdings (for such sell order the specific BCAN reserved value of "1" should be used).

Overview of security measures of the SFC and HKEX in respect of CID

40. With reference to the industry standards and practices, the SFC and HKEX have considered appropriate security measures including but not limited to the following domains listed below, to ensure the security and confidentiality of CID:

   (i) Data transmission and storage

        a. Adopt internationally-recognised encryption algorithm to protect the

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[13] The "quote" function in OTP-C allow the placing of buy and sell orders simultaneously.

confidentiality of investors' personal information stored in and transmitted between the systems of the SFC and HKEX.

b. Adopt a security management policy to safeguard and manage the encryption keys, where the policy will be reviewed periodically to ensure it is up-to-date.

c. CID is stored in a private network to which access is restricted.

(ii) Access to CID

a. Adopt an access control policy to restrict user access to CID.

b. Access to CID by designated staff of the SFC and HKEX will be on a restricted basis and only when there is a legitimate need to use CID for the consented purposes.

c. Adopt a user account management procedure to manage user access to CID.

d. Enforce effective password rules to prevent unauthorised access to the systems and CID.

e. Perform periodic user access re-certification to confirm whether user access rights remain appropriate.

f. Perform periodic review on audit trails to detect anomalies in user activities.

(iii) Incident management

a. Adopt an incident management framework with adequate management oversight to ensure sufficient capacity, effective incident response and management capability to handle incidents properly.

(iv) Cybersecurity

a. Perform periodic security testing to detect security vulnerabilities in relevant systems and network infrastructure.

b. Document the security settings and conduct periodic reviews.

c. Adopt access control on system access to CID.

d. Monitor and log suspicious activities on the network to protect the systems and data against cyber-attack.

SECTION 3: TENTATIVE IMPLEMENTATION TIMELINE

41. The HKIDR will be launched upon the relevant requirements under the SFC Code of Conduct taking effect after gazettal.   The following is a high-level implementation timeline for reference:

    • **Technical Specifications on the Proposed Model (Q3 2021)**

       EPs will need to submit BCANs along with orders via the Orion Central Gateway – Securities Market ("OCG-C") [14] .   The related interface specifications will be published in Q3 2021 on the HKEX website.

    • **Market System Development and Testing (Q3 2021 – Q2 2022)**

       Relevant Regulated Intermediaries are required to develop their internal systems by the end of Q1 2022 for submission of BCANs along with orders via OCG-C and BCAN-CID Mapping Files via the ECP.   HKEX will arrange testing with Relevant Regulated Intermediaries in due course.
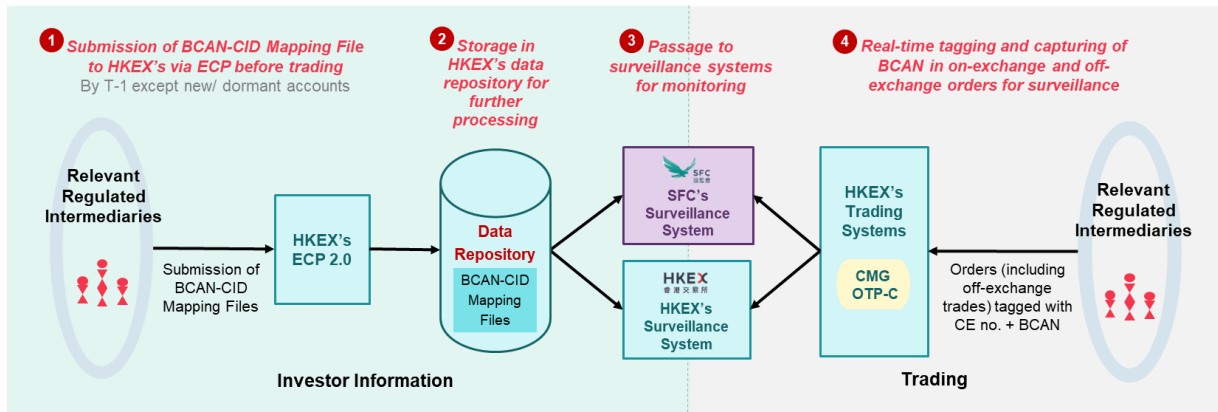
       Before the market rehearsal, Relevant Regulated Intermediaries are required to submit the BCAN-CID mappings of all clients on or before a designated date, which will be announced in due course.

    • **Launch (2H 2022)**

       Subject to market readiness and approvals of relevant amendments to the SEHK Trading Rules, the HKIDR is expected to be launched in 2H 2022 with market given around 15 months to prepare for the launch after the publication of the SFC's Consultation Conclusions paper.

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[14] OCG-C is a new market access platform that HKEX introduced in its securities market in Q3 2021 to replace the previous Orion Central Gateway (OCG).   For more information, please refer to the OCG-C project corner on HKEX website.

APPENDIX 1: ILLUSTRATION OF THE HKIDR

① Submission of BCAN-CID Mapping File to HKEX's via ECP before trading
By T-1 except new/ dormant accounts

② Storage in HKEX's data repository for further processing

③ Passage to surveillance systems for monitoring

④ Real-time tagging and capturing of BCAN in on-exchange and off-exchange orders for surveillance

Relevant Regulated Intermediaries → Submission of BCAN-CID Mapping Files → HKEX's ECP 2.0 → Data Repository (BCAN-CID Mapping Files) → SFC's Surveillance System / HKEX's Surveillance System → HKEX's Trading Systems (CMG OTP-C) ← Orders (including off-exchange trades) tagged with CE no. + BCAN ← Relevant Regulated Intermediaries

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APPENDIX 2: TECHNICAL SETUP

1. Specification of the BCAN Field

BCAN is a number unique to a Relevant Client of a Relevant Regulated Intermediary as described in Section 2 of this information paper.

When tagging the BCAN to an order, the BCAN field should consists of a 6-alphanumeric CE number assigned by the SFC, a separator ".", followed by a BCAN which is a randomly assigned number not exceeding 10 digits.   For example: if the CE number of a Relevant Regulated Intermediary and the BCAN assigned to the client are ABC123 and 0000002568 respectively, then "ABC123.2568' should be set out in the BCAN field when submitting the order to SEHK.

Specification of BCAN:
- An integer up to 10 digits that is randomly assigned and ranges from 100 to 9,999,999,999.   0 to 99 are reserved.
- Leading zero is not allowed.
- Specific reserved BCAN values (after the relevant CE number):
    - 1 - sell only client
    - 2 - aggregated order or aggregated off-exchange trade

Remarks:
- *The BCAN should not be generated, assigned or handled in a way which would identify any individual client or otherwise compromise the confidentiality of the identity of the client or give rise to non-compliance with the applicable privacy laws.*
- *Allocation of BCAN should be on a random basis, to the extent possible.*

2. File Interface Specification

The specification of files (including the BCAN-CID Mapping File and reporting forms) that are needed to support the HKIDR is provided in the "File Interface Specification" which is available on the HKEX website.

3. OCG-C Interface Specification

The OCG-C interface to support the HKIDR is provided in the "OCG-C Phase 2 Technical Specification" which is available on the HKEX website.