

香港聯合交易所有限公司

(香港交易及結算所有限公司全資附屬公司)

THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: Amendments to the Rules of the Exchange, the Operation Procedures for Trading Fee and the Disciplinary Procedures of The Stock Exchange of Hong Kong Limited ("SEHK")

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Holders of Stock Exchange Trading Rights and Exchange Participants are requested to note that the Securities and Futures Commission has approved amendments to the Rules of the Exchange, the Operation Procedures for Trading Fee and the Disciplinary Procedures of The Stock Exchange of Hong Kong Limited for the purposes of:

- (a) introducing the Orion Trading Platform – Securities Market;
- (b) removing the provisions in relation to the Trading Hall and Dealing Desks;
- (c) allowing SEHK to disclose order and trading information of Securities Market Makers to the issuers of the relevant Exchange Traded Products; and
- (d) incorporating house-keeping changes relating to the use of the last nominal price as the closing price under emergency and the removal of obsolete provisions relating to Year 2000 Compliance, non-automatch stocks and the Trades Transaction Report.

The amendments, as set out in Appendices 1, 2 and 3, will come into effect on Monday, 5 February 2018.

The marked-up version of the amendments can be downloaded from the following sections of the HKEX website:

- "Rule Update - Rules of the Exchange"
- "Rule Update - Operation Procedures for Trading Fee"
- "Rule Update - Disciplinary Procedures"

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Group General Counsel

Rules of the Exchange

CHAPTER 1

INTERPRETATION

101. In these Rules, unless the context otherwise requires:-

“Cessation Date” means 16 January 2006;

“System” means the Orion Trading Platform – Securities Market (the “OTP-C”), formerly the Automatic Order Matching and Execution System, as installed and operated by the Exchange for securities trading;

The definitions of “Access Card”, “Binding Period”, “Dealing Desk”, “non-automatch stock”, “Trading Hall” and “Year 2000 Compliant” have been repealed.

CHAPTER 2

ADMINISTRATION

The Chief Executive

226. Without prejudice to Rule 225 above and any other provisions in these Rules expressly conferring power upon the Chief Executive, the Chief Executive shall have such powers as the Board or any Committee may confer upon him including, in particular, the following powers:-

- (1) to take all necessary steps to maintain orderly and efficient trading, in accordance with these Rules and to suspend trading in any issue of securities or by any Participant as provided for in these Rules or as directed or authorised by the Board or any Committee;
- (7) [Repealed]

CHAPTER 3

EXCHANGE PARTICIPANTSHIP

Market Maker Permit Application Procedure

305A. (2) [Repealed]

Trading Facilities

364B. (1A) Where the entitlement to the benefit of a Seat for any Stock Exchange Trading Right held by an Exchange Participant has ceased and extinguished with effect from the Cessation Date and the Exchange Participant either (A) had not made any successful application to relinquish it for any other entitlement or (B) had made a successful application to relinquish it for an entitlement other than the following, the Exchange Participant may, in respect of such Stock Exchange Trading Right, still apply to the Exchange for the following:

(a) [Repealed]

(b) [Repealed]

(c) an increase in the throughput rate of a Central Gateway message into the System through a Central Gateway session designated to the Exchange Participant.

(1B) [Repealed]

(1C) [Repealed]

364C. [Repealed]

365. (1B) (a) An Exchange Participant shall assign at least one Stock Exchange Trading Right to at least one Central Gateway session designated to the Exchange Participant. The throughput rate of a Central Gateway message into the System through a Central Gateway session assigned with a single Stock Exchange Trading Right shall unless otherwise determined by the Board be equivalent to a standard Central Gateway throttle rate.

- (b) An Exchange Participant may apply to the Exchange for an increase in the throughput rate of a Central Gateway message into the System through a Central Gateway session designated to the Exchange Participant by assigning any additional Stock Exchange Trading Right which has not been assigned to any Central Gateway session to such Central Gateway session.
- (c) Without prejudice to the entitlement under Rule 365(1) and Rule 365(1B)(a) and (b), an Exchange Participant may, in respect of each Stock Exchange Trading Right conferred on or issued to it by the Exchange on or after the Cessation Date, apply to the Exchange for an increase in the throughput rate of a Central Gateway message into the System through a Central Gateway session designated to the Exchange Participant.
- (d) The increase in the throughput rate of a Central Gateway message into the System through a Central Gateway session pursuant to Rule 365(1B)(b) or (c) shall unless otherwise determined by the Board be equivalent to a standard Central Gateway throttle rate.
- (e) Any increase in the throughput rate of a Central Gateway message into the System through a Central Gateway session pursuant to Rule 365(1B)(c) shall be to an existing Central Gateway session designated to an Exchange Participant, or if the Exchange Participant applies to the Exchange for a new Central Gateway session, the increase in the throughput rate shall unless otherwise specified by the Exchange be to the new Central Gateway session. For the avoidance of doubt, a new Central Gateway session, if approved, shall in all respects be subject to the Rules applicable to “Central Gateway session” referred to in Rule 365(1) unless otherwise determined by the Board.
- (f) Any application by an Exchange Participant under Rule 365(1B) shall be subject to the approval of the Exchange on such terms and conditions and payment of such fees and charges as it shall consider appropriate. In addition to these Rules, an Exchange Participant shall, if its application under Rule 365(1B) is approved by the Exchange, comply with such terms and conditions as the Board shall from time to time prescribe and pay such fees and charges as shall be determined by the Board from time to time.

CHAPTER 5

TRADING

Operational Trading Rules

Designation and re-designation of automatch or non-automatch stock

502B. [Repealed]

Quotations

505. Rules 506A and 507A do not apply to auction orders and such orders can only be input into the System during the Pre-opening Session subject to Rule 501G or the Closing Auction Session subject to Rule 501L. Limit orders, enhanced limit orders and special limit orders can only be input into the System during the trading hours prescribed in Rule 501(1) provided that, if applicable, such orders in respect of the Extended Trading Securities can also be input into the System during the Extended Morning Session. For the avoidance of doubt,

- (1) if an order is input into the System through the Central Gateway session designated to an Exchange Participant, the order is taken for all purposes under these Rules to have been input into the System by and with the knowledge of the Exchange Participant; and
- (2) if an order is input into the System through the Special Participant Central Gateway session or Backup Special Participant Central Gateway session designated to a Special Participant, the order is taken for all purposes under these Rules to have been input into the System by and with the knowledge of the Special Participant.

505A. Without prejudice to the generality of Rules 506A and 507A, a buy order or a sell order shall not be made at a price that deviates 9 times or more from the nominal price, if available.

506. [Repealed]

507. [Repealed]

508. All bids and offers must be firm. The liability of posting an order for an automatch stock in the System for automatic order matching is the full order quantity input into the System.

510. [Repealed]

513. [Repealed]

516. The Spread Table is also applicable to orders input into the System in accordance with Rule 514. However, Rules 506A and 507A do not apply to orders input into the System in accordance with Rule 514.

Transactions

517. (2) [Repealed]

(3) [Repealed]

(4) All transactions in automatch stocks must be concluded by automatic order matching in the System unless otherwise prescribed by the Board provided that transactions concluded by using the operation specified for odd lot transactions, transactions concluded outside of the System, direct business transactions, Isolated Trades entered into for purposes of effecting a Buy-in as defined in the CCASS Rules, and orders exceeding the size limit prescribed in Rule 517(6) shall be exempted from complying with this requirement.

(5) [Repealed]

Password and Trading Records

529. It is the duty of every Exchange Participant and its Authorised Persons to keep confidential the password assigned by the Exchange and any password subsequently created therefrom. Under no circumstances shall the Exchange Participant distribute or disclose any password to any other person other than its Authorized Person.

530. Under no circumstances may an Exchange Participant enquire into another Exchange Participant's trading records, or use or attempt to use another Exchange Participant's password or other equipment.

Trading Hall Rules

Admission to the Trading Hall

548. [Repealed]

Use of Trading Hall

548A. [Repealed]

Conduct in the Trading Hall

549. [Repealed]

550. [Repealed]

Year 2000 Compliant

550A. [Repealed]

Equipment Failure

551. (1) In case of a failure, error or defect in any of the trading equipment supplied by the Exchange and installed in the address of a Participant or any other locations, the Participant shall report the same to the Exchange immediately and the Exchange shall have absolute discretion in replacing the equipment, where possible. Under no circumstances shall the Exchange be responsible for losses or damages arising from any such failure, error or defect in the equipment.

Disclosure of Information

- 569A. The Board shall regard information concerning a Participant as confidential. Disclosure of such information shall not be made to any person without the prior approval of the Participant except that the Board may disclose the information without such prior approval:
- (l) to the chief executive or the chief operating officer of HKEX for the time being appointed or deemed to have been appointed in accordance with the Ordinance or, as the context may require, their designees;
 - (m) in respect of information concerning a China Connect Exchange Participant, to the relevant SEHK Subsidiary, China Connect Market Operator or governmental or regulatory bodies; and
 - (n) in respect of any order or trading information of a Securities Market Maker relating to a Market Making Security, to the issuer of such Market Making Security.

Emergency

572. If in the opinion of the Board or of the HKEX board the functioning of the System is, or is threatened or likely to be, severely and adversely affected by an emergency, including but not limited to fire, epidemic or other casualty or accident, typhoon, rainstorm, earthquake, natural disaster, power failures, communications breakdowns, computer malfunction, war, riot, civil commotion, labour strike, terrorist attack and other similar events, the Board shall have full authority to take such action as the Board may in its absolute discretion deem necessary or appropriate to deal with such emergency or as directed by HKEX board. Under no circumstances shall the Exchange or HKEX be responsible for damages arising from any such emergency or any action taken by the Exchange in respect thereto.
573. If an emergency as stipulated in Rule 572 occurs, the Board may, in its absolute discretion, extend to compensate for the loss in trading time arising from the emergency or shorten the trading hours as specified in Rule 501 and the Extended Morning Session and the times for termination of the terminal activities as specified in Rule 502 and Rule 501E(1) and in case the trading hours are shortened, notwithstanding Rule 101 and unless otherwise determined by the Board in its absolute discretion, determine the nominal price last taken by the System as the closing price of an issue of securities on a trading day.

Options Exchange Participants

576. Notwithstanding Rule 106, the following Rules will not apply to an Exchange Participant in relation to its Exchange Traded Options Business:-

Rules 501 to 511
Rules 514, 516 and 517
Rules 517B and 518
Rules 520 to 530
Rules 544(1) and 544(2)
Rules 552A to 556
Rules 558 to 562
Rules 563A and 563B
Rule 567
Rules 571 to 573
Rule 574(b).

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 514 to 516
Rule 517(4)
Rules 520 to 521

Rules 526(1) to 526(3)
Rule 527
Rule 576

Structured Product Liquidity Providers

585. Notwithstanding Rule 584, the following Rules will not apply to an Exchange Participant acting in the capacity as a Structured Product Liquidity Provider:

Rule 503
Rules 505A to 507A
Rules 514 to 516A
Rule 518
Rule 526(3)
Rule 576

CHAPTER 7

DISCIPLINARY

Disciplinary Proceedings

- 709A. The Board shall notify HKSCC whenever it considers taking disciplinary action against:
- (1) an Exchange Participant in relation to any breaches of Rules 401, 406, 408, 414 to 416, 418A to 418C, 422(6) and (7), 425, 429(1), 501 to 508, 511 to 514, 516, 517, 517B to 530, 534(3), 537, 539 to 545, 552 to 562, 563A to 563D, 723 or the CCASS Rules; or
 - (2) a Special Participant in relation to any breaches of Rules 501, 501G to 501I, 502A, 502D, 503 to 505A, 506A, 507A, 508, 511, 512, 514, 516, 516A, 517(1), 517(4), 517(6), 517B to 519, 522, 528, 544(1), 544(3), 544(4), 545, 723 or the CCASS Rules,

and shall notify HKSCC forthwith of the result of such consideration and the disciplinary action taken, if any. In the event of a Participant giving notice to resign pursuant to Rule 702(2), the Board shall forthwith notify HKSCC of such fact.

CHAPTER 8

PAYMENT OF FEES AND CHARGES

802. Without limitation to the generality of Rule 801 above, the Board may impose fees and charges in respect of:-

<u>Fee Type</u>	<u>Amount (HK\$)</u>
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(16) monthly user fee for:

(o) [Repealed]

(27) [Repealed]

- 802A. Without limitation to the generality of Rule 801 above, the Board may impose fees and charges in relation to the Central Gateway as follows:-

<u>Fee Type</u>	<u>Amount (HK\$)</u>
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(3) in addition to any one-time fee specified above, a monthly fee for:

- | | |
|---|---|
| (b) Stock Exchange Trading Right(s) assigned to a Central Gateway session under Rule 365(1B)(a) or (b); | 480 for each Stock Exchange Trading Right assigned |
| (c) an increase in the throughput rate of a message into the System through an existing Central Gateway session or a new Central Gateway session under Rule 364B(1A); | 480 for each standard Central Gateway throttle rate |
| (d) an increase in the throughput rate of a message into the System through an existing Central Gateway session or a new Central Gateway session under Rule 365(1B)(c); | 480 for each standard Central Gateway throttle rate |

CHAPTER 9

EXCHANGE PARTICIPANTS' COMPENSATION

(FIDELITY FUND AND GUARANTEE SCHEME)

Claims

904. Any Exchange Participant which wishes to claim compensation in respect of a Relevant Default must notify the Compensation Committee in writing within 10 trading days of its becoming aware of any such Relevant Default and at the same time submit in writing and in such form as the Compensation Committee may from time to time prescribe the full particulars of the default or defaults complained of and the nature and amount of its claim, together with all documentary evidence or other evidence available to substantiate its claim. The Compensation Committee shall investigate the claim, may summon any person who is reasonably believed or suspected to have any information relevant to the investigation to attend before the Compensation Committee and to provide or produce such further information or documents as the Compensation Committee may require. If satisfied that reasonable grounds for the claim have been shown, the Compensation Committee shall notify Exchange Participants as soon as practicable after being so satisfied by circular. Such circular shall state brief particulars of the claim, and invite Exchange Participants to lodge by notice to the Compensation Committee all claims they may have against the Defaulting Exchange Participant for any Relevant Defaults within 10 trading days of the date of such circular. The Compensation Committee shall have an absolute discretion to refuse to entertain any claim lodged beyond this 10 trading day period.
- 910A. Upon any Exchange Participant ceasing to carry on the business of dealing in securities or ceasing to be an Exchange Participant, the Compensation Committee shall issue a circular to Exchange Participants advising Exchange Participants of the fact and inviting Exchange Participants to lodge claims they may have against such Exchange Participant within a period of time not less than 10 trading days from the date of the circular. The Compensation Committee shall have an absolute discretion to refuse to entertain any claim lodged beyond this 10 trading day period.

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.
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.
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.

CHAPTER 11

TRANSACTION AND INVESTOR COMPENSATION LEVIES

1101. A Transaction Levy and an Investor Compensation Levy 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, both the buyer and the seller shall each pay the amount of the Transaction Levy and the Investor Compensation Levy as specified by the Board under Rule 1103.
1103. The rate of the 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 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). Both the rates of the 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.

CHAPTER 15

SPECIAL PARTICIPANTS

Trading

1528. (1) Unless otherwise determined by the Exchange, the following Rules in Chapter 5 apply to a Special Participant, orders placed by it and trades executed by it:
- 501 (Trading Hours)
 - 501G, 501H and 501I (Pre-opening Session)
 - 501L and 501M (Closing Auction Session)
 - 502A (Cancellation of orders)
 - 502D (Trading of automatch stocks during the Pre-opening Session and the

Closing Auction Session)
503 and 504 (Opening Quotations)
505, 505A, 506A, 507A, 508, 511 and 512 (Quotations) and Second
Schedule (Spread Table)
513A, 513B and 513C (Volatility Control Mechanism)
514, 516 and 516A (Odd Lot and Special Lot Quotations)
517(1), 517(4), 517(6), 518, 519, 522 (Transactions)
528 (Day-end Review of Sales/Purchases)
544(1), 544(3), 544(4) (Transactions not Recognized)
545 (Market Misconduct, etc.)
551 (Equipment Failure)
564, 566 and 567 (Disputes)
569 (Power of the Board to Investigate and Demand Documents)
569A, 569B (Disclosure of Information)
571 (Typhoons and Rainstorms)
572 and 573 (Emergency)
574 (Settlement under CCASS)

Application of the Other Chapters and Schedules to Special Participants

1541. For clarity and for ease of reference, the following shall apply to Special Participants to the extent as set out below:
- (5) the Sixth Schedule (Securities Borrowing and Lending Regulations), Eleventh Schedule (Short Selling Regulations), Fourteenth Schedule (Securities Market Maker Obligations), Fifteenth Schedule (Designated Index Arbitrage Short Selling, Stock Futures Hedging Short Selling, Structured Product Hedging Short Selling and Options Hedging Short Selling Regulations) and Eighteenth Schedule (Structured Product Liquidity Provider Regulations) do not apply to Special Participants.

FOURTH SCHEDULE [Repealed]

Operation Procedures for Trading Fee

OPERATION PROCEDURES FOR TRADING FEE

Unless the context otherwise requires, the terms used in these Operation Procedures shall have the same meanings as contained in the Rules of the Exchange.

Exchange Participants

- (1) A Trading Fee 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 an Exchange Participant whether as principal or agent and whether the transaction is arranged or concluded in Hong Kong or elsewhere. For the avoidance of doubt, both the buying Exchange Participant, and the selling Exchange Participant shall each pay to the Exchange the amount of the Trading Fee as specified by the Board under Clause (3) below.
- (3) The rate of the Trading Fee shall be 0.005% (rounded to the nearest cent) of the amount of the consideration for each purchase or sale of securities, or such other rate as determined by the Board from time to time. The rate of the Trading Fee and the manner of collection (as determined by the Board from time to time) will be notified to Exchange Participants by circular.

Disciplinary Procedures

PART I

RESPONSIBILITIES, POWERS AND FUNCTIONS OF COMMITTEES, DIVISIONS, DEPARTMENTS, SECTIONS, UNITS AND SECH CONCERNING DISCIPLINARY MATTERS

1. Disciplinary Section

The responsibilities and functions of the Disciplinary Section include the following:-

- 1.5.1 to notify the Hong Kong Securities Clearing Company Limited ("HKSCC") whenever the Exchange considers taking disciplinary action against an Exchange Participant in relation to any breaches of Rules 401 to 429, 501 to 545, 552 to 563D, 723 or the CCASS Rules and to notify HKSCC of the result of such consideration and the disciplinary action taken, if any; in the event of an Exchange Participant being called upon to resign pursuant to Rule 702(2), to notify HKSCC of such fact [Rule 709A(1)];

PART II

DISCIPLINARY PROCEDURES

1. Offences to be Dealt with under the Standard Penalty Procedures and Offences to be Dealt with by Hearings

- 1.1 The following are classified as "offences to be dealt with under the Standard Penalty Procedures":-

- 1.1.1 [Repealed]

SCHEDULE OF PENALTIES

- 1. [Repealed]