

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: Closing of 2017 Annual Attestation and Inspection Programme

Enquiry: surveillance@hkex.com.hk

With reference to the Exchange circular (Ref. No.: MSM/003/2017) dated 24 February 2017, the Exchange is pleased to announce that it has successfully completed the Annual Attestation and Inspection Programme 2017 (the “2017 Programme”).

Under the 2017 Programme, the Exchange inspected 20 Exchange Participants (“EPs”) and received self-attestation questionnaires from 375 EPs on compliance with the relevant Rules of the Exchange on Manual Trade, Short Selling and China Connect trading activities (collectively, the “Priority Areas”).

The Exchange noted that in general, most EPs had put in place systems and controls for compliance with the relevant rules and requirements in the Priority Areas. However, we have identified certain deficiencies and shortcomings which are common across EPs. Compliance advice letters have been issued to 46 EPs with recommendations for improvement in the following areas, including:

- Inadequate or lack of controls and monitoring in ensuring:
 - timely and accurate reporting of manual trades;
 - accurate flagging of short sell orders and timely reporting of flagging errors; and
 - compliance with China Connect Rules; and
- Inadequate training for staff responsible for business activities in the Priority Areas.

With a view to raising the awareness of EPs’ compliance in the Priority Areas, we set out our key findings and elaborate our compliance reminders in the Appendices (“Compliance Reminders”). The provisions highlighted in the Compliance Reminders are not exhaustive and may be subject to change from time to time. EPs are expected to keep abreast of all the relevant rules and regulations applicable to them.

EPs should review their practices and procedures against our Compliance Reminders, adopt appropriate measures to strengthen their controls, and where necessary, take immediate actions to rectify any similar breaches or deficiencies.

The Exchange will continue its efforts in enhancing the industry’s understanding and compliance with the Rules of the Exchange through compliance reminders, guidance notes and frequently asked questions.

EPs are encouraged to contact the Market Surveillance and Monitoring Department (email: surveillance@hkex.com.hk), should they have any feedback or questions regarding this circular.

Garbo Cheung
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This circular has been issued in English with a separate Chinese translation of the same. If there is any discrepancy between the Chinese version and the English version, the English version shall prevail.