

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 (“Rules”), the Disciplinary Procedures and the Options Trading Rules of The Stock Exchange of Hong Kong Limited (“SEHK”)

Enquiry: Participant General Enquiry Hotline<sup>1</sup> (Tel: 2840 3626 E-mail: [trd@hkex.com.hk](mailto:trd@hkex.com.hk))

Holders of Stock Exchange Trading Rights and Exchange Participants of SEHK are requested to note that the Securities and Futures Commission has approved amendments to the Rules, Disciplinary Procedures and Options Trading Rules relating to the renaming by Hong Kong Securities Clearing Company Limited of the “General Rules of CCASS” and the “CCASS Operational Procedures” to the “General Rules of HKSCC” and the “HKSCC Operational Procedures” respectively.

The amendments to the Rules, Disciplinary Procedures and Options Trading Rules, as set out in Appendices 1, 2 and 3 respectively, will come into effect on Wednesday, 22 November 2023.

The marked-up version of the amendments to the Rules, Disciplinary Procedures and Options Trading Rules can be downloaded from the following sections of the HKEX website:

- [“Rule Update - Rules of the Exchange”](#)
- [“Rule Update - Disciplinary Procedures”](#)
- [“Rule Update - Options Trading Rules of the Stock Exchange”](#)

Florence Leung  
Head of Legal

<sup>1</sup> Calls to and from the Participant General Enquiry Hotline may be recorded. HKEX Privacy Notice is available [here](#).

**Rules of the Exchange**

**CHAPTER 1**

**INTERPRETATION**

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

|                                                    |                                                                                                                                                                                                       |
|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “CCASS”                                            | has the same meaning as defined in the HKSCC Rules;                                                                                                                                                   |
| “CCASS Clearing Agreement”                         | means a written agreement under the HKSCC Rules between a CCASS GCP and an Exchange Participant which is (i) not a CCASS Clearing Participant or (ii) not a China Connect CCASS Clearing Participant; |
| “CCASS DCP”                                        | means a person admitted by HKSCC to participate in CCASS as a Direct Clearing Participant or a Broker Participant which is deemed to be a Direct Clearing Participant pursuant to the HKSCC Rules;    |
| “HKSCC Rules”                                      | means the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the Operational Procedures;                                          |
| “CCMS”                                             | has the same meaning as defined in the HKSCC Rules;                                                                                                                                                   |
| “China Connect CCASS Clearing Participant”         | means “China Connect Clearing Participant” as defined in the HKSCC Rules;                                                                                                                             |
| “China Connect Clearing House”                     | has the same meaning as defined in the HKSCC Rules;                                                                                                                                                   |
| “Clearing Link”                                    | has the same meaning as defined in the HKSCC Rules;                                                                                                                                                   |
| “CNS System” or “Continuous Net Settlement System” | has the same meaning as defined in the HKSCC Rules;                                                                                                                                                   |
| “earmarked TSF Stocks”                             | means TSF Stocks purchased with the support of the FX Services and which shall be held in specially designated accounts of TSF CCASS Participants in accordance with the HKSCC Rules;                 |

|                          |                                                                                                                                                                          |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Eligible Security”      | has the same meaning as defined in the HKSCC Rules;                                                                                                                      |
| “Isolated Trades System” | means the method of settlement in CCASS between CCASS Clearing Participants in relation to Exchange Trades which are Isolated Trades in accordance with the HKSCC Rules; |
| “Operational Procedures” | means the Operational Procedures of HKSCC, as from time to time in force;                                                                                                |
| “SPSA Delivery Failure”  | has the same meaning as defined in the Operational Procedures;                                                                                                           |

103. Subject to Rule 101, any definitions of words defined in the HKSCC Rules, the Ordinance or the Articles shall if not inconsistent with the subject or context apply to these Rules.

## **CHAPTER 2**

### **ADMINISTRATION**

#### **The Board**

204. Without prejudice to Rule 203 above and any other provisions in the Articles or these Rules, the following powers shall in addition be vested in the Board, to be exercised in such manner, on such terms and at such times as it shall see fit:-
- (8) to order an investigation into the affairs of any Exchange Participant or its Responsible Officers, or any Special Participant suspected or having violated any of the provisions of the HKSCC Rules, the Ordinance or these Rules and for this purpose, to inspect and demand the production of all books, accounts, records and any other documents which it may deem necessary and to engage an accountant or any other person or persons to assist in the investigation;

#### **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:-
- (5) to exercise such disciplinary measures over the holders of Stock Exchange Trading Rights, Exchange Participants or their Responsible Officers, and Special Participants in any manner as hereinafter provided in the Rules in order to ensure compliance with the HKSCC Rules, the Ordinance and these Rules;

## **CHAPTER 3**

### **EXCHANGE PARTICIPANTSHIP**

#### **CCASS Participation**

358. (1) Every Exchange Participant which carries on the business of dealing in securities shall be required to:
- (a) become a CCASS Clearing Participant if it intends to clear its own Exchange Trades and shall comply at all times with the HKSCC Rules; or
- (3) Every Exchange Participant shall cause all Exchange Trades to be settled through CCASS in accordance with the HKSCC Rules.
- (4) Every Exchange Participant who has entered into a CCASS Clearing Agreement with a CCASS GCP shall give prior notice to the Exchange in writing of the termination of the CCASS Clearing Agreement before it is actually terminated, unless the CCASS GCP has already given notice to terminate the CCASS Clearing Agreement to HKSCC in accordance with the HKSCC Rules.
- (5) An Exchange Participant which is a Broker Participant immediately prior to 3 December 2007 shall be deemed to be a CCASS DCP from 3 December 2007 in accordance with the HKSCC Rules. These Rules, all rights, privileges, registrations, approvals, obligations and liabilities accrued to or incurred by the Exchange Participant prior to 3 December 2007 shall continue to be valid and binding on it whatever the capacity in which those rights, privileges, registrations, approvals, obligations and liabilities have been accrued or incurred.

## **CHAPTER 5**

### **TRADING**

#### **Transactions**

517. (4) All transactions in auto-match 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 HKSCC Rules, and orders exceeding the size limit prescribed in Rule 517(6) shall be exempted from complying with this requirement.

- 517B. All transactions in respect of an Eligible Security (other than a China Connect Security) that are recognized by the Exchange shall be settled in CCASS, and delivery and settlement in relation to such transactions shall be effected in accordance with the HKSCC Rules. Notwithstanding the foregoing, subsequent to a transaction having been made between two Exchange Participants, the method of settlement may be amended by mutual agreement between the Exchange Participants concerned or in accordance with the HKSCC Rules.

### **Securities Borrowing and Lending**

- 563C. Exchange Participants engaged in securities borrowing shall comply at all times with the Regulations regarding securities borrowing in the Sixth Schedule to these Rules and as approved by the Exchange from time to time or the HKSCC Rules (as the case may be).

### **The TSF**

- 563F. Rules 563F to 563S which relate to the TSF are binding on Exchange Participants which have been registered as TSF Exchange Participants.

HKSCC may, as TSF operator, provide FX Services to TSF Participants for the purpose of facilitating the purchase and sale of TSF Stocks traded on the Exchange based on the following principles:

- (3) For the clearing and settlement of TSF Exchange Trades and for the settlement of the corresponding TSF FX Transactions, in accordance with Rule 901(ia) of the HKSCC Rules, the rights and obligations of a TSF Exchange Participant under or in relation to a TSF Exchange Trade and the corresponding TSF FX Transaction shall be assumed and taken up, as principal, in substitution for, and with exactly the same rights and obligations under the TSF Exchange Trade and the corresponding TSF FX Transaction, by the TSF Clearing Participant which has been designated by the TSF Exchange Participant for clearing TSF Exchange Trades; and where a TSF Exchange Participant is itself a TSF Clearing Participant, such rights and obligations shall be assumed by it as CCASS DCP under the HKSCC Rules;
- (5) TSF Stocks purchased with the support of the TSF shall be earmarked as such; held in specially designated accounts of TSF CCASS Participants as prescribed by the HKSCC Rule; and be subject to restrictions on transfer to other accounts and withdrawal of share certificates from CCASS;
- (7) The sale of earmarked TSF Stocks through the use of the TSF will result in the de-earmarking of the TSF Stocks. The process of earmarking and de-earmarking of TSF Stocks is set out in the HKSCC Rules;

- (8) In the event that HKSCC is unable to obtain RMB or HKD from TSF Partner Banks, HKSCC shall have the option to exercise its relevant powers under the HKSCC Rules without obtaining the prior consent of any person; and
- (9) The terms and conditions for the provision of the FX Services as set out in Rules 563F to 563S may be amended by the Exchange (in consultation with HKSCC) from time to time. TSF Exchange Participants agree and acknowledge that HKSCC may impose additional requirements or special conditions on the provision of the FX Services whenever it considers appropriate. Further, TSF Exchange Participants agree and acknowledge that HKSCC and the Exchange may vary, modify, waive or disapply these Rules and the HKSCC Rules to suit the circumstances of a particular situation as a variety of circumstances may exist which require it to make ad hoc decisions in relation to the operation of the TSF. Specifically, HKSCC has the power to suspend or cease to provide the FX Services temporarily or permanently in its sole and absolute discretion.

**Trades Supported by TSF**

563K. The TSF is only available for trades:

- (2) which are Exchange Trades accepted by HKSCC for settlement under the CNS System in accordance with the HKSCC Rules.

**TSF FX Orders, TSF FX Transactions and TSF Exchange Trades**

- 563M. (4) Subject to trade amendments as allowed by the Exchange under the Rules and the publication of the FX rates referred to in Rule 563N on the relevant trading day, upon the effect of a TSF Buy Exchange Trade on the System:
- (d) the TSF Exchange Participant shall acknowledge that HKSCC may seek to acquire RMB from one or more TSF Partner Banks on a principal-to-principal basis for the purposes of fulfilling its obligation under the TSF Buy FX Transaction; and agree that upon delivery of the funds in RMB by one or more TSF Partner Banks to HKSCC, the TSF Exchange Participant shall be deemed to have authorised HKSCC to apply the funds in RMB for the settlement of the TSF Buy Exchange Trade in accordance with the HKSCC Rules; and
  - (e) the TSF Exchange Participant shall, through the substitution of its rights and obligations under the TSF Buy Exchange Trade and the corresponding TSF FX Transaction by a CCASS GCP in accordance with Rule 563P, or if it is itself a TSF Clearing Participant, settle the corresponding TSF Buy FX Transaction on the day on which the TSF Buy Exchange Trade shall be settled under the HKSCC Rules by delivering to HKSCC the relevant amount of HKD calculated by reference to the RMB Sell Final FX Rate.

- (5) Subject to trade amendments as allowed by the Exchange under the Rules and the publication of the FX rates referred to in Rule 563N on the relevant trading day, upon the effect of a TSF Sell Exchange Trade on the System:
- (d) the TSF Exchange Participant shall acknowledge that HKSCC may seek to sell RMB to one or more TSF Partner Banks on a principal-to-principal basis for the purposes of fulfilling its obligation under the TSF Sell FX Transaction; agree that it shall be deemed to have authorised HKSCC to apply the RMB sale proceeds of the relevant earmarked TSF Stocks (which are the subject of the TSF Sell Exchange Trade) towards the settlement of the TSF Sell FX Transaction on the day on which the TSF Sell Exchange Trade shall be settled under the HKSCC Rules at the RMB Buy Final FX Rate; and accept that subject to exceptions as set out in the HKSCC Rules, the proceeds of sale of the relevant earmarked TSF Stocks shall be paid in HKD.

#### **HKSCC's Obligations as TSF Operator**

- 563O. (2) HKSCC shall not be responsible for any failure to provide the FX Services for any TSF FX Orders or TSF FX Transactions if its performance is prevented, hindered or delayed by the failure of one or more TSF Partner Banks to provide the FX rates to HKSCC or to sell or purchase RMB which leads to a suspension or cessation of operation of the TSF in accordance with the HKSCC Rules.

#### **Typhoons, Extreme Conditions and Rainstorms**

571. Unless otherwise decided by the Board, the trading and settlement arrangements in the event of Typhoon Signal No. 8 or above, Extreme Conditions and Black Rainstorm Warnings shall be as follows:
- (2) (a) The settlement arrangements for all trading days where the Hong Kong Observatory has hoisted or lowered a Typhoon Signal No. 8 or above and where Extreme Conditions have been announced or cancelled are set out in the HKSCC Rules. Please refer to the HKSCC Rules for details.
- (b) The settlement arrangements for all trading days where the Hong Kong Observatory has issued or cancelled a Black Rainstorm Warning are set out in the HKSCC Rules. Please refer to the HKSCC Rules for details.

## CHAPTER 6

### PROFESSIONAL CONDUCT

601. All Participants and where the context admits, their Responsible Officers, nominated representatives, directors, partners, Authorized Persons, officers, employees, agents and representatives, and all persons acting on behalf of Participants, Market Makers, Securities Market Makers, Dual Counter Market Makers, Structured Product Hedging Participants and Structured Product Liquidity Providers, shall strictly comply with and adhere to the HKSCC Rules, the Clearing Rules, the Options Trading Rules, the Ordinance and these Rules.
612. A Participant shall put in place adequate and effective internal policies, guidelines and/or control procedures to protect its operations, its clients, and other Participants from any loss (financially or otherwise) arising from theft, fraud, and other dishonest acts, professional misconduct or omissions and to ensure its compliance with the HKSCC Rules, the Clearing Rules, the Options Trading Rules, the Ordinance and these Rules.

## 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 HKSCC 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 HKSCC 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.

#### Situations Calling for Disciplinary Action

723. (1) The Board and (subject to Rule 704 hereof) the Chief Executive may exercise their disciplinary powers against a Participant in such manner as they think fit if the Participant:-
- (e) is or has been in breach of the HKSCC Rules;

## **CHAPTER 9**

### **EXCHANGE PARTICIPANTS' COMPENSATION**

#### **(FIDELITY FUND AND GUARANTEE SCHEME)**

##### **Claims**

- 908A. Any Exchange Participant which suffers a pecuniary loss as a result of or in connection with the default of any Exchange Participant, shall not be entitled to compensation under the Guarantee or the Fidelity Fund, if such loss arises out of a default relating to securities borrowing and lending transaction effected pursuant to the Regulations in the Sixth Schedule of these Rules or the HKSCC Rules (as the case may be).

## **CHAPTER 14**

### **CHINA CONNECT SERVICE**

#### **China Connect Exchange Participants and Eligibility Criteria for Registration**

1406. (8) Every China Connect Exchange Participant which has entered into a CCASS Clearing Agreement with a CCASS GCP for the clearing of its China Connect Securities Trades shall give prior notice to the Exchange in writing of the termination of the CCASS Clearing Agreement before it is actually terminated, unless the CCASS GCP has already given notice to terminate the CCASS Clearing Agreement to HKSCC in accordance with the HKSCC Rules.

#### **Order Input and Transactions Executed Through the China Connect Service**

1425. All China Connect Securities Trades shall be settled through CCASS in accordance with the HKSCC Rules. Where a China Connect order is executed on a China Connect Market System through the use of the China Connect Service by a China Connect Exchange Participant, the China Connect Exchange Participant shall cause such transaction to be settled through CCASS as a China Connect Securities Trade in accordance with the HKSCC Rules.

## CHAPTER 14A

### CHINA CONNECT SERVICE – SHANGHAI

#### Interpretation

14A02. (2) In this Chapter, unless the context otherwise requires:

|                                        |                                                                                                                                                                                                                            |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Master SPSA Holder”                   | has the same meaning as defined in the HKSCC Rules;                                                                                                                                                                        |
| “Master SPSA ID”                       | has the same meaning as defined in the HKSCC Rules;                                                                                                                                                                        |
| “Qualified Institution”                | in relation to the Securities Borrowing and Lending of China Connect Securities referred to in Rule 14A16, means:<br><br>(b) a participant of HKSCC (other than an Investor Participant as defined in the HKSCC Rules); or |
| “Special Segregated Account” or “SPSA” | has the same meaning as defined in the HKSCC Rules;                                                                                                                                                                        |
| “SPSA ID”                              | has the same meaning as defined in the HKSCC Rules;                                                                                                                                                                        |

#### Trading Arrangements

##### SPSA order

- 14A06. (2A) (a) A China Connect Exchange Participant who receives instructions from a client to sell China Connect Securities held in a Special Segregated Account shall, before inputting an SPSA order into the CSC, ensure that:
- (i) the Special Segregated Account has been designated to the client and an SPSA ID has been assigned by CCASS to the Special Segregated Account in accordance with the HKSCC Rules;

**Pre-trade checking**

- (8) (a) Subject to Rule 14A06(8)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the HKSCC Rules, the total number of shares/units which can be the subject of China Connect sell orders (other than SPSA orders and Master SPSA orders) in respect of each China Connect Security on a CSC trading day shall not exceed the total securities holding position in respect of the same China Connect Security as shown in the relevant designated CCASS stock account(s) referred to in Rule 14A06(6) or (7) immediately before the commencement of operation of the China Connect Service on that CSC trading day.
- (b) Subject to Rule 14A06(8)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the HKSCC Rules:
- (c) In respect of overdue short securities positions in China Connect Securities of a China Connect CCASS Clearing Participant under the CNS System which are outstanding for settlement on the due date where such China Connect CCASS Clearing Participant is a China Connect Exchange Participant, HKSCC will request the Exchange to deduct the overdue short securities position quantities from the sellable balances of such China Connect CCASS Clearing Participant on the next CSC trading day, and if such China Connect CCASS Clearing Participant is a CCASS GCP of any China Connect Exchange Participant(s), from the sellable balances of each of such China Connect Exchange Participant(s) on the next CSC trading day. If such overdue short securities positions are, or are alleged by such China Connect CCASS Clearing Participant to be, caused in whole or in part by an SPSA Delivery Failure, the sellable balances of such China Connect CCASS Clearing Participant, and/or the relevant China Connect Exchange Participant(s) and the relevant Special Segregated Accounts will be adjusted in accordance with the HKSCC Rules. In the event of an SPSA Delivery Failure under a Master SPSA ID, the sellable balance with respect to the relevant China Connect Securities that were the subject of the SPSA Delivery Failure or the sellable balances of all the China Connect Securities under such Master SPSA ID may be reduced to zero on the next CSC trading day or for such longer period in accordance with the HKSCC Rules.
- (d) Any China Connect sell order input by a China Connect Exchange Participant which may, upon execution, exceed the relevant total securities holding positions mentioned in Rule 14A06(8)(a) or (b) above will (subject to Rule 14A06(8)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the HKSCC Rules) be rejected.
- (9) To enable the Exchange and the SEHK Subsidiary to apply the pre-trade checking procedures, HKSCC will, in accordance with the HKSCC Rules and subject to Rule 14A06(8)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the HKSCC Rules, reproduce and replicate the securities holding records of the CCASS stock accounts (both client and house account positions) referred to in Rules 14A06(6) and (7) and the Special Segregated

Accounts referred to in Rule 14A06(7A) and Rule 14A06(7B), and transmit the information to the CSC before the commencement of operation of the China Connect Service on each CSC trading day. Each China Connect Exchange Participant agrees to and authorizes the reproduction, replication and transmission of its securities holding records as mentioned above for the purpose of enabling the Exchange and the SEHK Subsidiary to carry out the pre-trade checking procedures. In respect of Special Segregated Accounts (whether under SPSA ID or Master SPSA ID), each China Connect Exchange Participant who is authorized to execute on behalf of its clients (including the Master SPSA Holder where applicable) sale of China Connect Securities in the Special Segregated Accounts, acknowledges and confirms that its clients (including the Master SPSA Holder where applicable) have authorized the reproduction, replication and transmission of the securities holding records of the Special Segregated Accounts as mentioned above for the purpose of enabling the Exchange and the SEHK Subsidiary to carry out the pre-trade checking procedures.

- (10) Consistent with Rule 1421(2), China Connect Exchange Participants shall put in place appropriate arrangements to ensure that (a) in respect of an SPSA order, Rule 14A06(2A) will be complied with and in respect of a Master SPSA order, Rule 14A06(2B) will be complied with, respectively, before the placing of the order; and (b) in respect of a China Connect sell order (other than an SPSA order or a Master SPSA order), there are sufficient China Connect Securities in the relevant client account or house account, as applicable, within CCASS before placing the order for the account of their client or for their own account, as the case may be. Upon matching of a China Connect sell order on the SSE Market System, the relevant number of China Connect Securities recorded in the relevant account referred to in 14A06(8)(a) above or the relevant Special Segregated Account(s), as the case may be, will be used for securities settlement in accordance with the HKSCC Rules.

#### **Off-Exchange Trades or Transfers Prohibited**

- 14A12. (2) The following non-trade transfers are permitted:
- (d) transfers set out in Rule 4110iii(e) to (j) of the HKSCC Rules.

### **CHAPTER 14B**

#### **CHINA CONNECT SERVICE - SHENZHEN**

##### **Interpretation**

- 14B02. (2) In this Chapter, unless the context otherwise requires:

|                                        |                                                                                                                                                                                                                            |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Master SPSA Holder”                   | has the same meaning as defined in the HKSCC Rules;                                                                                                                                                                        |
| “Master SPSA ID”                       | has the same meaning as defined in the HKSCC Rules;                                                                                                                                                                        |
| “Qualified Institution”                | in relation to the Securities Borrowing and Lending of China Connect Securities referred to in Rule 14B16, means:<br><br>(b) a participant of HKSCC (other than an Investor Participant as defined in the HKSCC Rules); or |
| “Special Segregated Account” or “SPSA” | has the same meaning as defined in the HKSCC Rules;                                                                                                                                                                        |
| “SPSA ID”                              | has the same meaning as defined in the HKSCC Rules;                                                                                                                                                                        |

## **Trading Arrangements**

### **SPSA order**

- 14B06. (3) (a) A China Connect Exchange Participant who receives instructions from a client to sell China Connect Securities held in a Special Segregated Account shall, before inputting an SPSA order into the CSC, ensure that:
- (i) the Special Segregated Account has been designated to the client and an SPSA ID has been assigned by CCASS to the Special Segregated Account in accordance with the HKSCC Rules;

### **Pre-trade checking**

- (10) (a) Subject to Rule 14B06(10)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the HKSCC Rules, the total number of shares/units which can be the subject of China Connect sell orders (other than SPSA orders and Master SPSA orders) in respect of each China Connect Security on a CSC trading day shall not exceed the total securities holding position in respect of the same China Connect Security as shown in the relevant designated CCASS stock account(s) referred to in Rule 14B06(7) or (8) immediately before the commencement of operation of the China Connect Service on that CSC trading day.

- (b) Subject to Rule 14B06(10)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the HKSCC Rules:
  - (c) In respect of overdue short securities positions in China Connect Securities of a China Connect CCASS Clearing Participant under the CNS System which are outstanding for settlement on the due date where such China Connect CCASS Clearing Participant is a China Connect Exchange Participant, HKSCC will request the Exchange to deduct the overdue short securities position quantities from the sellable balances of such China Connect CCASS Clearing Participant on the next CSC trading day, and if such China Connect CCASS Clearing Participant is a CCASS GCP of any China Connect Exchange Participant(s), from the sellable balances of each of such China Connect Exchange Participant(s) on the next CSC trading day. If such overdue short securities positions are, or are alleged by such China Connect CCASS Clearing Participant to be, caused in whole or in part by an SPSA Delivery Failure, the sellable balances of such China Connect CCASS Clearing Participant, and/or the relevant China Connect Exchange Participant and the relevant Special Segregated Accounts will be adjusted in accordance with the HKSCC Rules. In the event of an SPSA Delivery Failure under a Master SPSA ID, the sellable balance with respect to the relevant China Connect Securities that were the subject of the SPSA Delivery Failure or the sellable balances of all the China Connect Securities under such Master SPSA ID may be reduced to zero on the next CSC trading day or for such longer period in accordance with the HKSCC Rules.
  - (d) Any China Connect sell order input by a China Connect Exchange Participant which may, upon execution, exceed the relevant total securities holding positions mentioned in Rule 14B06(10)(a) or (b) above will (subject to Rule 14B06(10)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the HKSCC Rules) be rejected.
- (11) To enable the Exchange and the SEHK Subsidiary to apply the pre-trade checking procedures, HKSCC will, in accordance with the HKSCC Rules and subject to Rule 14B06(10)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the HKSCC Rules, reproduce and replicate the securities holding records of the CCASS stock accounts (both client and house account positions) referred to in Rules 14B06(7) and (8) and the Special Segregated Accounts referred to in Rule 14B06(9) and Rule 14B06(9A), and transmit the information to the CSC before the commencement of operation of the China Connect Service on each CSC trading day. Each China Connect Exchange Participant agrees to and authorizes the reproduction, replication and transmission of its securities holding records as mentioned above for the purpose of enabling the Exchange and the SEHK Subsidiary to carry out the pre-trade checking procedures. In respect of Special Segregated Accounts (whether under SPSA ID or Master SPSA ID), each China Connect Exchange Participant who is authorized to execute on behalf of its clients (including the Master SPSA Holder where applicable) sale of China Connect Securities in the Special Segregated Accounts acknowledges and confirms that its clients (including the Master SPSA Holder where applicable) have authorized the reproduction, replication and

transmission of the securities holding records of the Special Segregated Accounts as mentioned above for the purpose of enabling the Exchange and the SEHK Subsidiary to carry out the pre-trade checking procedures.

- (12) Consistent with Rule 1421(2), China Connect Exchange Participants shall put in place appropriate arrangements to ensure that (a) in respect of an SPSA order, Rule 14B06(3) will be complied with and in respect of a Master SPSA order, Rule 14B06(3A) will be complied with, respectively, before the placing of the order; and (b) in respect of a China Connect sell order (other than an SPSA order or a Master SPSA order), there are sufficient China Connect Securities in the relevant client account or house account, as applicable, within CCASS before placing the order for the account of their client or for their own account, as the case may be. Upon matching of a China Connect sell order on the SZSE Market System, the relevant number of China Connect Securities recorded in the relevant account referred to in 14B06(10)(a) above or the relevant Special Segregated Account(s), as the case may be, will be used for securities settlement in accordance with the HKSCC Rules.

#### **Off-Exchange Trades or Transfers Prohibited**

- 14B12. (2) The following non-trade transfers are permitted:
- (d) transfers set out in Rule 4110iii(e) to (j) of the HKSCC Rules.

## **CHAPTER 15**

### **SPECIAL PARTICIPANTS**

#### **Continuing Obligations of Special Participants**

1514. A Special Participant shall at all times:
- (6) cause all Exchange Trades to be settled through CCASS in accordance with the HKSCC Rules.

1515. (9) Except permitted under Rule 4206(3) of the HKSCC Rules or where the CSRC otherwise provides or allows, Special Participants and their China Connect Market Participants shall not trade or provide services to facilitate trading of any SEHK Securities held within the relevant China Connect Clearing House through any venue other than through the System, and a Special Participant shall not, and shall ensure that its China Connect Market Participants shall not, match, execute or arrange the execution of any sale and purchase instructions or any transfer instructions of China Connect Market Participants or their clients in respect of any SEHK Securities in any manner otherwise than through the System.
1516. For the purpose of assuming the obligation to settle all Exchange Trades of a Special Participant, the China Connect Clearing House under the clearing agreement referred to in Rule 1507(6) shall become a party to the Exchange Trades as principal in substitution for, and with exactly the same rights and obligations under such Exchange Trades, as the Special Participant. A Special Participant shall give at least seven days' prior notice in writing to the Exchange of the termination of such clearing agreement before the effective date of the termination, unless the China Connect Clearing House has already given notice to terminate such clearing agreement to HKSCC in accordance with the HKSCC Rules.

### **Trading**

1529. All transactions in SEHK Securities shall be settled via CCASS as Exchange Trades, and delivery and settlement in relation to such transactions shall be effected in accordance with the HKSCC Rules.

## **SIXTH SCHEDULE**

### **SECURITIES BORROWING AND LENDING REGULATIONS ("REGULATIONS")**

- (2) An Exchange Participant of the Exchange shall be permitted to borrow or lend securities only in accordance with these Regulations or the HKSCC Rules (as the case may be) and, where the securities borrowing relates to Hong Kong stock, with applicable law and in particular the Stamp Duty Ordinance and the relevant Stamp Duty Interpretation and Practice Notes.
- (3) Unless the terms and conditions of these Regulations or the HKSCC Rules (as the case may be) are complied with, the borrowing and the lending of securities by an Exchange Participant may be treated as a disposal by the lender and an acquisition by the borrower and the return of borrowed securities as an acquisition by the lender and a disposal by the borrower so that the Transaction Levies, the Investor Compensation Levy and any other prescribed levy, fees and charges (including but not limited to the Trading Fee) may be payable in accordance with these Rules, and, if appropriate, the matter will be referred

to the Collector. In addition, if the relevant circumstances involve a breach of the Stamp Duty Ordinance, stamp duty may be payable.

- (16) Regulations (8) to (11) above shall not apply to the compulsory stock borrowing transaction effected pursuant to the HKSCC Rules.

**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 HKSCC 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)];
- 1.5.2 to notify HKSCC whenever the Exchange considers taking disciplinary action against a Special Participant in relation to any breaches of Rules 501, 501G to 501I, 502A to 502B, 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, 563C to 563D, 723 or the HKSCC Rules and to notify HKSCC of the result of such consideration and the disciplinary action taken, if any; in the event of a Special Participant being called upon to resign pursuant to Rule 702(2), to notify HKSCC of such fact [Rule 709A(2)];

**Options Trading Rules**

**CHAPTER 1**

**DEFINITIONS AND INTERPRETATION**

**Definitions**

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

"HKSCC Rules" has the same meaning as in the Exchange Rules;

**Interpretation**

103. Subject to Options Trading Rule 101, any definitions of words defined in the Exchange Rules, Clearing Rules, HKSCC Rules, the Ordinance, the Companies Ordinance or the Articles shall, if not inconsistent with these Options Trading Rules or with the subject or context, apply to these Options Trading Rules.

**CHAPTER 3**

**OPTIONS EXCHANGE PARTICIPANTS' OBLIGATIONS**

**Compliance with the Options Trading Rules**

301. Each Options Exchange Participant shall at all times:-

- (2) comply with the decisions, directions, directives, guidelines, determinations, findings of fact and/or interpretation of the Board and/or any other person or body of persons in the exercise or performance of any right, power, privilege, discretion, function, duty or obligation conferred on them by or pursuant to these Options Trading Rules, the

Operational Trading Procedures, the Clearing Rules, the Operational Clearing Procedures, the Exchange Rules and, to the extent applicable, the HKSCC Rules.

## **CHAPTER 4**

### **OPTIONS EXCHANGE PARTICIPANTS AND THEIR CLIENTS**

#### **Options Broking Agreement**

- 401C. For the avoidance of doubt, an Options Broker Exchange Participant that has entered into an Options Broking Agreement with an Options Trading Exchange Participant will be a client of that Options Trading Exchange Participant for the purposes of these Options Trading Rules, the Operational Trading Procedures, the Clearing Rules, the Operational Clearing Procedures and, to the extent applicable, the Exchange Rules and the HKSCC Rules.

## **CHAPTER 7**

### **DEFAULT PROCEDURES**

#### **Default**

702. Without prejudice to the generality of Options Trading Rule 701, the Exchange may assume that an Options Exchange Participant is or appears to be unable, or likely to become unable, to meet its obligations in respect of its Exchange Traded Options Business:-
- (1) where that Options Exchange Participant, as a direct or indirect result of conducting its Exchange Traded Options Business, is in breach of any of the Exchange Rules, these Options Trading Rules, Clearing Rules, or where that Options Exchange Participant is also a participant in CCASS, the HKSCC Rules;

## **SIXTH SCHEDULE**

### **STANDARD CONTRACT**

6. **Settlement:** All underlying securities to be transferred following exercise of an Options Contract shall be transferred in accordance with the Rules on or before such day as may be specified in the Rules, free of any security interest of any person, except, where applicable, that of SEOCH. Unless otherwise permitted by the Exchange and SEOCH, a transfer of underlying securities following exercise of an Options Contract shall be made through CCASS in accordance with the Rules and the HKSCC Rules.