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通告 CIRCULAR

Subject: **Compliance Bulletin (Issue No. 16) - Reminder on Hong Kong Investor Identification Regime (“HKIDR”) BCAN-CID Mapping File Submission Requirements**

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As part of our continuous efforts to promote transparency and a compliance culture in our marketplace, the Stock Exchange of Hong Kong Limited (the “**Exchange**” or “**SEHK**”) has prepared this circular to remind all relevant Exchange Participants (“**EPs**”) and Relevant Regulated Intermediaries (“**RRIs**”) on certain salient points in relation to the HKIDR under the Rules of the Exchange (“**SEHK Rules**”), specifically on the submission requirements of the BCAN-CID Mapping File.

(A) Relevant Requirements under SEHK Rules

Rule 538A(3)	An RRI which is responsible for assigning BCANs, collecting CID and preparing the BCAN-CID Mapping File of its clients shall submit the BCAN-CID Mapping File to the Exchange in such manner and by such deadline as the Exchange may prescribe from time to time, either directly or through another RRI.
Rule 538A(4)	RRIs shall submit the BCAN-CID Mapping File to the Exchange for validation by the prescribed deadline on or before the T-1 day, unless the client is a new client who has opened the trading account with the RRI on T day or a client whose trading account has been inactive (irrespective of account balance or money movement) for at least 24 months since the last trade, in which case BCAN-CID Mapping File shall be submitted on T day.

RRIs are reminded to observe and comply with the requirements stipulated under SEHK Rules 538A(3) and 538A(4) regarding the submission of the BCAN-CID Mapping File to the Exchange in the prescribed manner and by the relevant deadlines, specifically:

Submission Requirements

- Submit the BCAN-CID Mapping file **whenever there is any update** (e.g. change in a Relevant Clients'¹ CID, addition of new clients' CID, closure of the clients' accounts, and cessation of business of the RRIs).
- Each submission must include a **full** BCAN-CID Mapping File covering all the RRI's Relevant Clients, including those clients whose BCAN-CID mapping data have not changed. **Do not submit files containing only changes.**
- If an RRI ceases business, it should submit a **blank** BCAN-CID Mapping File. All BCANs previously submitted by the RRI will then be marked as inactive.

Submission Deadlines (Daily cut-off time: 4:30 pm)

- Existing clients: On or before the previous trading day (i.e. **T-1 day**)
- New clients² or clients reactivating dormant accounts³: **T day**

RRIs are also reminded to review the reference materials available on the dedicated [HKIDR webpage](#) of the HKEX website, including but not limited to the [File Interface Specification \(for BCAN-CID Mapping File and Reporting Forms\)](#), [HKIDR Information Paper](#) (Paragraph 21-23 and 38) and [FAQ on HKIDR File Submission and Order Tagging](#) (Sections A and B), and the guidance notes published on the [HKEX Rule Enforcement webpage](#).

¹ "Relevant Client" refers to a party which has placed or proposes to place a securities order through a securities trading account with a Relevant Regulated Intermediary. Where the order is a proprietary trade, the Relevant Client would refer to a Relevant Regulated Intermediary placing the order for itself. Where an order is routed through an intermediating chain of brokers, a Relevant Client would be the first person in the chain who is not a Relevant Regulated Intermediary.

² "new clients" refers to those who wish to trade on the day of account opening.

³ "dormant accounts" refers to trading account being inactive (irrespective of account balance or money movement) for at least 24 months since the last trade.

(B) Common Deficiencies and Instances of Non-compliance

The Exchange has observed that certain RRI's have tagged orders with a non-recorded BCAN (i.e. BCAN which is not included in BCAN-CID Mapping File and validated by SEHK's system). While such orders are not rejected by SEHK's trading system, tagging with a non-recorded BCAN constitutes a breach of SEHK Rules 538A(3) and 538A(4), and will be subject to standard penalties.

Existing clients – on or before T-1 day

- (i) Due to inadvertent human error, BCANs assigned to existing clients were removed from the system and were not included in the BCAN-CID Mapping File submitted to the Exchange on or before T-1 day. In some cases, the BCAN, even after restoration in the system and made available for order tagging, remained excluded from the BCAN-CID Mapping File.
- (ii) Due to system defects occurred during the compilation process of the BCAN-CID Mapping File, some RRI's failed to capture all BCANs assigned in the system and resulted in incomplete records submitted to the Exchange on T-1 day.
- (iii) Due to incorrect system configuration, the trading system of the EP failed to prevent existing clients from placing orders on the same day when its BCANs were not submitted to the Exchange on or before T-1 day.
- (iv) In certain instances, a system logic deficiency caused the unintended removal of all BCANs assigned to a client with multiple accounts, when only one account was closed or suspended. This failure was compounded by insufficient understanding of the vendor system's operational design and the lack of robust user acceptance testing, resulting in non-compliance with the prescribed submission requirements.
- (v) During the system migration, a misunderstanding of system functionality had led the RRI to incorrectly assume that the BCAN-CID Mapping File submission process had been automated, resulting in the failure to perform the required submission.

New clients or clients reactivating dormant accounts – on T day

- (i) Due to staff oversight during the account re-activation process for dormant accounts, the BCANs used for order tagging were not submitted to the Exchange on T day.
- (ii) Due to misunderstanding of the BCAN requirements, a BCAN originally assigned to a newly onboarded client was deleted for the purpose of rectifying a client type error. Without noticing that such BCAN had already been used for trading on the same day, the RRI wrongly assigned a new BCAN to that client and submitted the new BCAN instead of the original one in the BCAN-CID Mapping File submitted to the Exchange on T day.
- (iii) Due to inappropriate scheduling of the BCAN-CID Mapping File submission process, new clients onboarded after the T day submission timeline were not included in the BCAN-CID Mapping File submitted to the Exchange on the same day.
- (iv) Due to misunderstanding of the submission requirements, the RRI submitted only the updates of its clients' records to SEHK. However, it should have submitted a full BCAN-CID Mapping File of all its clients, including those clients whose BCAN-CID mapping data have not changed.

(C) Good Practices Observed

The Exchange wishes to draw RRI's attention to some of the good practices observed regarding the submission of BCAN-CID Mapping File:

System
(i) Proper and thorough testing before launching any new system, system migration, or enhancement, including post-release testing to ensure functionality and compliance. (ii) Adopt automation and minimize manual intervention as much as possible. (iii) System controls to reject orders tagged with BCANs not included in the BCAN-CID Mapping File submitted on or before T-1 day by checking against the BCAN Full Image File. (iv) Proper understanding of vendor system functionality, including: ▪ System behavior on BCAN-CID Mapping File during account opening (and re-opening) and closure. ▪ Notifications for late or failed submissions.
Process
(v) Maker-checker mechanism with audit trail and proper documentation in written policies and procedures for manual processes. (vi) Regular review of all data in the BCAN-CID Mapping File, including changes (addition/deletion/amendment), and timely reconciliation with internal system records to ensure the CIDs submitted to the Exchange are complete, accurate and up to date. (vii) Prompt review of Exchange response files (BCAN-CID Response File, BCAN-CID Process Result File, BCAN Full Image File) after submission to confirm successful processing before enabling BCANs for order tagging. (viii) Clear separation of BCAN-CID Mapping Files when the same staff team handles the compilation and submission for multiple RRI entities, with procedures in place to ensure all relevant submissions are timely, complete and accurate.
People
(ix) Proper understanding and training for staff on system functionality and compliance requirements. (x) Diligence and accountability in performing compilation of the BCAN-CID Mapping File. (xi) Awareness and adherence to established control arrangements.

(D) Standard Penalties on Breach of SEHK Rules 538A(3) and 538A(4)

RRIs, which are SEHK EPs, are requested to note that, failure to comply with SEHK Rules 538A(3) and 538A(4) is an offence to be dealt with under the Standard Penalty Procedures as stipulated in Part II of the Disciplinary Procedures of the SEHK Rules.

Penalties for such an offence are prescribed in the Schedule of Penalties of SEHK Rules, and are summarized as follows:

Schedule of Penalties
Within a 12-month rolling period:
<u>First offence</u> Issuance of a warning letter
<u>Second offence</u> An imposition of a fine of HK\$25,000
<u>Third offence</u> An imposition of a fine of HK\$50,000
<u>Any subsequent offence</u> To be treated as an offence to be dealt with by hearings in accordance with the Procedures For Offences To Be Dealt With By Hearings

EPs are expected to keep abreast of and remain fully compliant with all the relevant rules and regulations applicable at all times. The Exchange takes any breaches of rules seriously and may consider taking disciplinary actions against any non-compliant participants.

The Exchange would like to point out that the requirements and examples (if any) set out in this circular are by no means exhaustive. They are intended for general reference only and should not be construed as legal advice. All liabilities with respect to actions taken or not taken based on the contents of this circular are hereby expressly disclaimed. All EPs and RRIIs should always take into consideration their own circumstances to ensure full compliance with the relevant rules and requirements and seek their own professional advice on their specific situation where appropriate.

EPs and RRIIs are also encouraged to contact the Market Surveillance and Monitoring Department (email: surveillance@hkex.com.hk) should they have any questions on the above.

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