

The new paragraph 5.6A of the Code of Conduct¹

5.6A Investor identification – exchange-traded derivatives market in Hong Kong

- (a) This paragraph applies to a relevant licensed or registered person.
- (b) For the purposes of this paragraph:
- (i) “aggregated order” means an order which comprises two or more buy orders or sell orders for the same listed derivatives placed by different clients, which may be executed as an on-exchange order or a block trade order;
 - (ii) “BCAN” means a “Broker-to-Client Assigned Number”, being a unique identification code in the format prescribed by HKFE or SEHK, generated by a relevant licensed or registered person in accordance with HKFE’s or SEHK’s requirements respectively;
 - (iii) “BCAN-CID Mapping File” means the data file containing the BCAN and CID of all clients of a relevant licensed or registered person in the format prescribed by HKFE or SEHK respectively from time to time;
 - (iv) “block trade order” means any order which is executed via the block trade facility;
 - (v) “block trade facility” means the function of HKFE’s trading system as specified by HKEX to be used for block trade execution;
 - (vi) “CID” means the client identification data as described in paragraph 5.6A(n);
 - (vii) “client” has the meaning as set out in paragraph 5.6A(m);
 - (viii) “direct client” means the most immediate client of a relevant licensed or registered person which has placed or proposes to place an on-exchange order or block trade order through a futures/options trading account with that person;
 - (ix) “HKEX” means the Hong Kong Exchanges and Clearing Limited;
 - (x) “HKFE” means the Hong Kong Futures Exchange Limited;
 - (xi) “HKFE’s trading system” means the prevailing trading system deployed by HKFE for the purposes of matching orders;
 - (xii) “listed derivative” means any futures contract, options contract or stock option traded on HKFE’s trading system;

¹ “The new paragraph 5.6A of the Code of Conduct will be gazetted and will come into effect on a future date to be determined by the SFC in line with the implementation timeline.

- (xiii) “on-exchange order” means a buy or sell order for a listed derivative which is to be executed on HKFE’s trading system;
 - (xiv) “relevant licensed or registered person” means a licensed or registered person which (1) submits (or arranges to submit) for execution an on-exchange order; or (2) carries out a block trade order, in connection with its carrying out any of the specified activities;
 - (xv) “SEHK” means The Stock Exchange of Hong Kong Limited; and
 - (xvi) “specified activities” means (i) proprietary trading conducted by a licensed or registered person licensed or registered for Type 1 regulated activity (in relation to stock options) or Type 2 regulated activity (in relation to futures contracts or other options contracts) and (ii) the provision of derivatives brokerage services for a person in respect of orders placed through an account opened and maintained for that person.
- (c) Subject to paragraphs 5.6A(d) and 5.6A(e), a relevant licensed or registered person is required to:
- (i) assign a BCAN to each of its clients, the BCAN to be linked permanently and exclusively to that client; and
 - (ii) collect CID of each client to whom it has assigned a BCAN pursuant to paragraph 5.6A(c)(i) and prepare a BCAN-CID Mapping File for submission to HKFE’s or SEHK’s data repository, as the case may be.
- Where a client holds more than one futures/options trading account with a relevant licensed or registered person, a relevant licensed or registered person may assign more than one BCAN to the client to distinguish between orders placed through different accounts. However, orders placed through the same futures/options trading account must be tagged with the same BCAN.
- (d) Where an on-exchange order or block trade order is carried out through an intermediating chain of brokers, the last relevant licensed or registered person in the chain (starting with the exchange participant executing the order and working backwards), whose direct client is not a relevant licensed or registered person, shall be the party responsible for assigning the BCAN, collecting CID, preparing the BCAN-CID Mapping File, and submitting the BCAN-CID Mapping File to HKFE or SEHK, as the case may be, either directly or indirectly through another relevant licensed or registered person.
- (e) Where an on-exchange order or block trade order is placed from a futures/options trading account held jointly by two or more persons, a relevant licensed or registered person is required to assign a BCAN to the account and not to the account holders. This BCAN should be distinct from any BCAN assigned to any joint account holder who holds a futures/options trading account with the relevant licensed or registered person in his sole name. The BCAN-CID Mapping File containing the CID of all holders of that joint account should be submitted by the relevant licensed or registered person to HKFE or SEHK, as the case may be, under the BCAN assigned to the joint account.
- (f) A relevant licensed or registered person should ensure that the order information for each (i) on-exchange order which it submits (or arranges to submit) to HKFE’s trading system, and (ii) block trade order it carries out, includes the CE number of

the licensed or registered person (being the unique identifier assigned by the SFC) as well as (1) a BCAN assigned to the relevant client or joint account or (2) a specific code as prescribed by HKFE or SEHK, as the case may be, in the case of an aggregated order.

- (g) Where a relevant licensed or registered person transmits an on-exchange or block trade order to another person who is not a licensed or registered person in an intermediating chain of brokers for execution, the relevant licensed or registered person should take reasonable steps (including putting in place arrangements with the receiving person) to ensure that the BCAN (and, in the case of an aggregated order, the specific code prescribed by HKFE or SEHK, as the case may be) assigned and tagged to the order by the relevant licensed or registered person would be transmitted by the receiving person to the next relevant licensed or registered person in the intermediating chain.
- (h) In the case of an executed aggregated order, a relevant licensed or registered person which submits (or arranges to submit) the on-exchange order to HKFE or SEHK, or carries out the block trade order should also ensure that the BCAN of each client or joint account to which the underlying orders relate are subsequently submitted to HKFE or SEHK, as the case may be, in accordance with HKFE's and SEHK's requirements respectively, either directly or through another relevant licensed or registered person.
- (i) A relevant licensed or registered person should have automated order management systems in place to ensure that clients' BCANs (and in the case of an aggregated order, the specific codes prescribed by HKFE or SEHK, as the case may be), which are tagged to on-exchange orders or block trade orders are correct and valid.
- (j) A relevant licensed or registered person which is responsible for collecting CID and preparing the BCAN-CID Mapping File of its clients under paragraph 5.6A should ensure that it submits the BCAN-CID Mapping File to HKFE or SEHK, as the case may be, by the prescribed time and in accordance with HKFE's and SEHK's requirements respectively, either directly or through another relevant licensed or registered person.
- (k) A relevant licensed or registered person which is responsible for assigning a BCAN and preparing the BCAN-CID Mapping File should take all reasonable steps to establish that the BCAN and CID which it submits to HKFE or SEHK, as the case may be, are accurate and kept up-to-date. It should notify HKFE or SEHK, as the case may be, in accordance with HKFE's and SEHK's requirements respectively when it becomes aware that any such information has changed, is inaccurate or should otherwise be updated, including where there is a closure of a client account, addition of a new client account, or a change in CID. A relevant licensed or registered person should put in place measures to require clients to notify the relevant licensed or registered person of any updates to their CID.
- (l) A relevant licensed or registered person should comply with all applicable rules of HKEX and other requirements prescribed by HKFE or SEHK, as the case may be, in relation to the assignment of BCANs and the submission of BCAN-CID Mapping Files to HKFE or SEHK, as the case may be, including the notification of any changes, errors or omissions.

- (m) For the purpose of the obligations to be carried out by a relevant licensed or registered person under paragraph 5.6A, a “client” means the direct client of the relevant licensed or registered person, save that:
- (i) in the case of proprietary trading by a relevant licensed or registered person, a client refers to the relevant licensed or registered person itself;
 - (ii) in the situation mentioned in paragraph 5.6A(d), a client shall be a person to whom a BCAN is assigned for the on-exchange order or block trade order;
 - (iii) in the situation mentioned in paragraph 5.6A(e), a client refers to each of the holders of the joint account; and
 - (iv) in the case of a collective investment scheme or discretionary account, a client refers to a collective investment scheme, discretionary account holder or asset management company, as the case may be, which has opened a trading account with the relevant licensed or registered person, through whose account an on-exchange order or block trade order is placed or proposed to be placed.
- (n) For the purpose of paragraph 5.6A, CID shall mean the following information in relation to a client to whom a BCAN is assigned:
- (i) the full name of the client as shown in the client’s identity document;
 - (ii) the issuing country or jurisdiction of the identity document;
 - (iii) the identity document type; and
 - (iv) the identity document number.
- (o) For the purpose of paragraph 5.6A(n), CID of a client should be collected from the identity document which is first mentioned in the list below save that where the client does not hold such document, the next mentioned document should be used and so forth:
- (i) in the case of a natural person, his or her (1) HKID card; or (2) national identification document; or (3) passport;
 - (ii) in the case of a corporation, its (1) legal entity identifier (LEI) registration document; or (2) certificate of incorporation; or (3) certificate of business registration; or (4) other equivalent identity document; and
 - (iii) in the case of a trust, the trustee’s information as in paragraph 5.6A(o)(i) or (ii) (as the case may be). However in the case of a trust which is an investment fund, CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the relevant licensed or registered person should be obtained.
- (p) On or before the submission of the BCAN-CID Mapping File in respect of an individual client, a relevant licensed or registered person should have obtained from the client written or other express consent in a form and manner in compliance with the SFC’s requirements. A record of consent must be kept by the relevant licensed or registered person for as long as the client remains its client and up to at least two years after the client relationship ceases.

- (q) If the consent referred to in paragraph 5.6A(p) cannot be obtained from any client who is a natural person, the relevant licensed or registered person should not submit any BCAN or CID of that client to HKFE or SEHK, as the case may be, and should only offset orders or trades to close out outstanding positions of listed derivatives (but not open new positions) for that client.