SECURITIES AND FUTURES COMMISSION
證券及期貨事務監察委員會

Consultation conclusions on proposals to implement an investor identification regime at trading level for the exchange-traded derivatives market in Hong Kong

23 June 2026

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Executive summary

1. On 22 September 2025, the Securities and Futures Commission (**SFC**) issued a consultation paper (**Consultation Paper**) on proposals to implement an investor identification regime at the trading level for the exchange-traded derivatives market in Hong Kong (**HKIDR-DM**).

2. The consultation period ended on 22 December 2025. We received nine submissions in response to the consultation. Respondents included individuals, industry associations, brokers and other entities. A list of the respondents (excluding those who requested anonymity) is set out in **Appendix A.** The full text of their submissions (with the exception of those who requested confidentiality) is available on the SFC's website at www.sfc.hk.

3. Overall, the proposals received strong support from the respondents. This consultation conclusions paper (**Conclusions Paper**) provides a summary of the feedback received, the SFC's responses, and the resulting conclusions. This Conclusions Paper should be read in conjunction with the Consultation Paper.

HKIDR-DM in a global context

4. Hong Kong's exchange-traded derivatives market is one of the largest and most active in Asia, with an average daily volume of approximately 1.8 million contracts during the first five months of 2026[1]. The market features a broad spectrum of products, including equity index futures and options, stock options, as well as currency and interest rate derivatives. With substantial participation by both domestic and international investors, Hong Kong's derivatives market plays a critical role for risk management and investment worldwide. The considerable market size and diversity highlight the necessity for robust regulatory measures to detect market misconduct and safeguard investor interests.

5. As outlined in the Consultation Paper, jurisdictions such as the Chinese Mainland, Australia, Singapore, the United States, the European Union and the United Kingdom have already implemented investor identification frameworks in their derivatives markets. Given the scale and global connectivity of Hong Kong's derivatives market, the introduction of the HKIDR-DM is essential to maintaining Hong Kong as a global financial hub, reinforcing market integrity and aligning with evolving international practices. Extending the investor identification regime to the exchange-traded derivatives market will strengthen the SFC's ability to monitor and address potential risks effectively.

Key comments

6. The Consultation Paper proposed that licensed corporations (**LCs**) and registered institutions (**RIs**) engaging in the trading of futures contracts, options contracts and stock options (collectively, "**Futures and Options Contracts**"), whether as principal or agent (together, as "Relevant Regulated Intermediaries" or "**RRIs**") would be required to:

[1] Reference is made to the HKEX monthly market highlights for May 2026.

(a) ensure that a unique identification code, namely the "Broker-to-Client Assigned Number" (**BCAN**), is assigned to all "Relevant Clients" who have placed or intend to place orders for Futures and Options Contracts on the Hong Kong Futures Exchange Limited (**HKFE**) trading system (**HKFE Trading System**) through their trading accounts with the RRIs;

(b) ensure that up-to-date client identification data (**CID**) is collected from each Relevant Client and submitted, along with the client's BCAN, by including both the BCAN and CID in a "BCAN-CID Mapping File"[2] to a central data repository to be maintained by Hong Kong Exchanges and Clearing Limited (**HKEX**)[3] within the prescribed timeframe;

(c) ensure that the Relevant Client's BCAN is included in the order information for each order transmitted to the HKFE Trading System; and

(d) implement robust data privacy and security measures to safeguard the collection, transmission and storage of data, including obtaining express consent from Relevant Clients for the collection and handling of their personal data in compliance with the applicable data privacy laws.

7. The majority of respondents expressed support for the proposed HKIDR-DM, recognising its alignment with international practices, enhancement of the SFC's market surveillance capabilities, and reinforcement of investor protection. Several respondents also provided comments or sought clarification regarding specific implementation and operational details of the proposals. The key comments on the proposed HKIDR-DM are summarised below.

<u>BCAN assignment for non-RRI overseas affiliates</u>

8. Two respondents suggested that RRIs of an international background should be permitted to assign a single BCAN for all non-RRI overseas affiliates routing end client orders to the RRIs in Hong Kong, rather than assigning individual BCANs to each affiliate.

9. The SFC maintains the view that assigning a single BCAN to multiple non-RRI overseas affiliates is inconsistent with the regulatory objectives of the HKIDR-DM. Such an approach would impede the SFC's ability to promptly and accurately identify the originating affiliate and would affect the effectiveness of the regime. The assignment of a unique BCAN to each non-RRI overseas affiliate is a fundamental requirement under the HKIDR-DM framework, as it strengthens regulatory oversight and the traceability of order flows.

<u>Consent letter template</u>

10. A respondent sought clarification regarding whether RRIs may continue to use the existing consent letter, originally issued for the Hong Kong Investor Identification Regime for the securities market (**HKIDR-S**), in the context of implementing the HKIDR-DM, and whether additional client consent would be necessary. The SFC

[2] It is expected that the BCAN-CID Mapping File sent by an RRI will contain all of its clients' BCANs and CIDs which it should provide to HKEX on the relevant day.

[3] In this paper, references to HKEX mean HKFE or The Stock Exchange of Hong Kong Limited, as the context requires.

clarified that the HKIDR-DM constitutes a new arrangement and is likely to introduce a new purpose for the use of personal data, which may not be covered by the consent previously obtained under the HKIDR-S. Therefore, RRIs may be required to obtain additional consent from clients specifically for the HKIDR-DM. The SFC recommended that RRIs review their internal arrangements and seek independent legal advice as appropriate. To facilitate implementation, the SFC will issue further guidance and provide a consent letter template specifically tailored to the HKIDR-DM.

Implementation timeline

11. The SFC will implement the HKIDR-DM concurrently with the launch of HKEX's proprietary Orion Derivatives Platform (**ODP**), enabling market participants to incorporate the HKIDR-DM functionalities as they upgrade their systems. HKEX announced in April 2026 that it aims to fully launch ODP by the second quarter of 2028. Accordingly, the implementation of the HKIDR-DM is currently scheduled for the second quarter of 2028, subject to the completion of system testing and market rehearsals. Should the ODP rollout be delayed, the SFC will revise the timeline accordingly.

12. We will collaborate with HKEX to conduct industry training sessions prior to implementation. In addition, we will issue an implementation circular by September 2026, detailing the necessary preparations and the timeline for key activities supporting the rollout of the regime.

13. The amendments to the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (**SFC Code of Conduct**), as set out in **Appendix C**, will be published in the Gazette and come into effect on a date consistent with the implementation timeline specified above.

The way forward

14. In view of the widespread support received, the SFC will proceed to implement the HKIDR-DM as proposed. We are confident that this regime will significantly enhance Hong Kong's capabilities in monitoring and preventing market misconduct, thereby further consolidating Hong Kong's status as a premier international financial centre.

15. We wish to express our sincere appreciation to all respondents for their valuable time and effort in reviewing our proposals and engaging in further discussions. Their feedback has played a crucial role in shaping and finalising our positions on the proposals.

Comments received and the SFC's responses

Products in scope for the proposed HKIDR-DM

Q1	**Do you have any feedback or recommendations regarding the proposed scope of product coverage? Are there any additional types of trades or financial products that should be incorporated or excluded? Please elaborate on your perspectives and provide detailed explanations.**

Public comments

16. Respondents generally agree with or have no objection to the proposed product scope.

The SFC's response

17. The SFC will implement the product scope for the HKIDR-DM as proposed.

Intermediaries in scope for the proposed HKIDR-DM

Q2	**Could you provide your feedback or recommendations regarding the proposed scope of intermediaries subject to the HKIDR-DM? Are there specific entities that you believe should be included or excluded from this scope? Please elaborate on your perspectives and provide detailed explanations.**

(i) Intermediaries and "Relevant Client" in scope

Public comments

18. Respondents generally agree with the proposed intermediaries in scope for the HKIDR-DM.

19. One respondent sought confirmation on the assignment of BCANs within a banking group which includes both an LC and RI, covering entities in Hong Kong and overseas affiliates. The respondent requested further explanation of how the responsibilities for BCAN assignment are allocated across different entities and order types.

20. The respondent also queried on whether, under the HKIDR-DM, an executing entity in Hong Kong should treat an overseas affiliate as the "Relevant Client" when executing orders received from that affiliate's branch outside Hong Kong, and whether BCANs are required for the underlying clients of the overseas affiliate. The respondent also enquired whether the SFC will issue corresponding Frequently Asked Questions (**FAQs**) for the HKIDR-DM regime to address similar cross-border execution arrangements.

The SFC's response

21. As set out in the Consultation Paper, a Relevant Client would generally refer to a party which has placed or proposes to place an order for a Futures and Options Contract through a trading account with an RRI. In the case of proprietary trade, the Relevant Client is the RRI placing the order for itself. Where an order is routed through an intermediating chain of brokers, the Relevant Client is the first person in the chain who is not an RRI. Under the current HKIDR-S approach, as reflected in the relevant FAQs, an overseas branch or an overseas head office of an RRI should be treated as an overseas affiliate for the purpose of "Relevant Client". This ensures that clients of an RRI's overseas branches do not fall within scope solely due to the head office/branch structure. Accordingly, the head office and branches of an RRI's overseas affiliates are treated as the same entity. The same approach will apply to the proposed HKIDR-DM.

22. The SFC will proceed with the proposed scope of intermediaries for the HKIDR-DM. We will also consider issuing FAQs for the HKIDR-DM regime to provide further clarity on the application of these requirements to cross-border execution scenarios.

(ii) <u>RRI status for type 1 and type 2 activities</u>

Public comments

23. One respondent sought clarification on the definition of "specified activity" under the HKIDR-DM. Specifically, the respondent asked whether a firm that provides brokerage services under its Type 1 licence and relies on a licensing exemption to carry out limited Type 2 activity (without holding a Type 2 licence) would be considered an RRI only in relation to its Type 1 brokerage activity, or in relation to any derivatives brokerage services involving Futures and Options Contracts as defined in the Consultation Paper.

The SFC's response

24. There are no specific exemptions from Type 2 regulated activity for Type 1 licensed persons. For example, if a firm deals in stock options on The Stock Exchange of Hong Kong Limited (**SEHK**), such dealing activity is conducted under its Type 1 regulated activity licence. Accordingly, a firm providing brokerage services under its Type 1 licence will be regarded as an RRI only in relation to its Type 1 brokerage activities.

Clients in scope for the proposed HKIDR-DM

Q3	**Do you have any comments about the proposed scope of clients whose identities are required to be disclosed under the HKIDR-DM? Please provide your comments with justifications and detailed explanations.**

(i) Competition between RRIs and overseas brokers

Public comments

25. Respondents generally agreed with, or had no objection to, the proposed scope of clients. Under the proposed HKIDR-DM model, the scope of Relevant Client does not extend beyond the first layer of an overseas broker (non-RRI broker) or overseas client.

26. One respondent questioned the implementation of the HKIDR-DM, pointing out that overseas brokers who place orders via RRIs with HKFE or SEHK are not required to provide their clients' CID. The respondent suggested that this arrangement could create an unfair advantage for overseas brokers by subjecting them to a lower compliance burden, which may result in clients preferring to deal through them. The respondent further expressed concern that excluding overseas brokers from the scope of the proposed HKIDR-DM regime could hinder regulators' ability to obtain complete investor identification information and monitor market activities effectively. The respondent also opined that the existing Large Open Position Reporting Regime (**LOP Reporting Regime**) is effective in monitoring market participants with large open positions and in identifying potential risks and manipulative activities. As such, the respondent considered that the introduction of the HKIDR-DM regime would be duplicative, costly and therefore unnecessary.

The SFC's response

27. While extending the application of the HKIDR-DM beyond the first layer of an overseas broker or overseas client to the ultimate client would provide the SFC with more direct and comprehensive investor identification information, we have to balance these potential benefits with practical implementation challenges, such as cross-border data privacy restrictions, enforceability against overseas entities, and to ensure that costs and compliance obligations remain proportionate for market participants. This proposed approach has been adopted under the current HKIDR-S.

28. With respect to the existing LOP Reporting Regime, we wish to reiterate that this regime is intended to monitor and manage potential systemic risks in the derivatives market, such as position concentration, by identifying large positions held by market participants. Reporting obligations arise only when a market participant's positions exceed a specified reporting threshold. In contrast, the HKIDR-DM is designed to provide information regarding investors' identities at the trading activity level. Accordingly, the proposed HKIDR-DM is not duplicative, but rather complementary to the LOP Reporting Regime, and it enhances the effectiveness of market surveillance.

(ii) Relevant Client for inter-dealer brokers

Public comments

29. As proposed in the Consultation Paper, a Relevant Client is generally the direct client of an RRI who places or intends to place an order for a Futures and Options Contract through a trading account with an RRI. One respondent suggested that the reference to "trading account" in this context should be removed because it may cause confusion for inter-dealer brokers. The respondent pointed out that inter-dealer brokers match client orders for crossing or execution on-exchange. They do not have trading mandates, do not handle client assets and would not be operating "trading accounts" in the common understanding of that term. That said, the respondent agreed that inter-dealer brokers who are HKFE participants and match on-exchange derivatives orders should fall within the scope of the proposed regime.

The SFC's response

30. The term "trading account" should not be interpreted narrowly as referring only to a client trading account used for executing trades (as is the case with on-exchange agency trades). The definition of Relevant Client and the drafting of the definition of "direct client" in draft paragraph 5.6A of the SFC Code of Conduct also do not imply such a restrictive interpretation.

31. We wish to clarify that a client of an inter-dealer broker will be regarded as a Relevant Client since he or she opens and maintains an account with the inter-dealer broker; and once his or her order is matched with an order from another account of the inter-dealer broker, the broker is required to submit such order to HKFE for clearing and settlement purposes. To this end, the inter-dealer broker falls within the scope of the regime and is required to input the BCANs for both the buy-side and the sell-side in accordance with the draft paragraph 5.6A(h) of the SFC Code of Conduct.

BCAN – format, generation, assignment and tagging

Q4	**Do you have any suggestions concerning the proposed operational arrangements for the format, generation and assignment of BCAN? Please provide your perspectives, supported by explanations.**
Q5	**The SFC seeks your feedback concerning the proposed operational arrangements for the tagging and submission of BCANs. Please explain your views.**

(i) Same set of BCAN numbers for the HKIDR-S and the HKIDR-DM

Public comments

32. Respondents generally agree with the proposed operational arrangements for the format, generation, assignment, tagging and submission of BCAN, as illustrated in Appendix B.

33. One respondent proposed that the SFC should consider allowing the use of a single set of BCANs for both the HKIDR-S and HKIDR-DM regimes, with the addition of a "suffix" indicator at the end of the BCAN to distinguish between the two regimes for the same client, rather than requiring a separate set of numbers.

The SFC's response

34. Market participants differ in size and may have adopted different operational arrangements for BCAN generation. To address these differences, we consider it appropriate to allow RRIs the flexibility to assign either identical or distinct BCANs under the HKIDR-S and the HKIDR-DM for the same client. As a new central data repository will be established for the HKIDR-DM, no suffix is needed if an RRI adopts the same BCAN for a client's securities account and futures and options account. Maintaining a consistent BCAN format across both regimes also streamlines their implementation.

(ii) <u>BCAN assignment for non-RRI overseas affiliates</u>

Public comments

35. Two respondents suggested that RRIs which are international firms should be allowed to assign a single BCAN to represent all non-RRI overseas affiliates that route end client orders to the RRIs in Hong Kong, rather than assigning separate BCANs to each affiliate. They indicated that this approach would enhance operational efficiency and reduce system complexity, given that clients are often onboarded across multiple overseas affiliates. Furthermore, they also highlighted that assigning separate BCANs to each affiliate provides minimal additional supervisory benefit, as regulators may obtain underlying client details from the RRI upon request. They emphasised that regulatory oversight under this suggested approach would remain robust, since there would be no alteration to the reporting of BCANs for orders received from non-affiliates, and the current CID for each relevant overseas affiliate would be captured in the BCAN-CID Mapping File. This would result in a single consolidated overseas affiliate BCAN corresponding to the multiple CID entries of the RRI's overseas affiliates.

The SFC's response

36. This suggestion of assigning a single BCAN to all non-RRI overseas affiliates is inconsistent with the regulatory objectives of the HKIDR-DM. Tagging orders from multiple non-RRI overseas affiliates with a common BCAN would hinder the SFC's ability to promptly and accurately identify the originating affiliate, resulting in a need for additional follow-up requests to obtain affiliate-level information. This would increase both supervisory and operational burdens. Also, this increases the risk of potential misuse, as it allows an RRI to use a single BCAN to represent multiple entities, thereby compromising the integrity and reliability of regulatory data.

37. The SFC recognises the potential operational challenges associated with assigning unique BCANs to each non-RRI overseas affiliate submitting orders to HKFE or SEHK. Nevertheless, the assignment of a unique BCAN remains a fundamental requirement under the HKIDR framework. This approach enhances regulatory effectiveness by enabling granular identification and traceability of order flows from distinct legal entities and facilitates timely regulatory actions.

Scope of data collection, CID submission and data repository

Q6	**Could you provide your views and suggestions on the proposed scope of data collection, the arrangements for submitting CIDs, and the requirement to ensure the CIDs remain current? Please share your insights and provide detailed explanations to support your feedback.**

(i) CID submission timeline for existing clients

Public comments

38. Respondents generally agreed with, or raised no objection to, the proposed scope of data collection, the arrangements for submitting CIDs, and the requirement to ensure the CIDs remain current. Consistent with the HKIDR-S, the Consultation Paper proposed that the CIDs of Relevant Clients who have already opened accounts with an RRI and conducted trades through those accounts (ie, existing clients) should be submitted no later than the business day before the trading day[4] (T-1). For (i) new clients intending to trade on the day of account opening, and (ii) clients whose accounts have remained dormant for at least 24 months, the CIDs should be submitted before a cut-off time on the same trading day (T) as prescribed by HKEX. One respondent suggested reviewing this approach to achieve a fair and efficient process and to tackle potential RRI's dealing errors for existing clients.

The SFC's response

39. We have explained in the Consultation Paper that existing clients' CIDs are expected to be submitted within a specified period prior to the implementation date of the HKDIR-DM to facilitate a smooth implementation, and RRIs will be given sufficient time to do so. Submission of CIDs of existing clients should not be made on the same trading day. We also do not consider delaying the submission of existing clients' CIDs would address or mitigate dealing errors by RRIs.

40. For new clients and dormant clients mentioned in paragraph 38 above, the relief measure allowing the submission of their CIDs on the trading day recognises that these clients may not have the opportunity to provide their consent and CIDs in advance. We do not consider this arrangement to be disadvantageous to existing clients, as the implementation period will be approximately 18-24 months, giving RRIs ample time to collect and submit CIDs for existing clients well ahead of their trading activities before the HKIDR-DM is implemented. Accordingly, we will maintain the proposed CID submission arrangement, aligning with the approach adopted under the HKIDR-S.

[4] Trading day in this paper refers to the day on which the client places an order for Futures and Options Contracts on the HKFE Trading System.

(ii) Lapsed Legal Entity Identifiers (**LEIs**)

Public comments

41. For a corporate client, an LEI registration document is one of the acceptable identity document types of the proposed CID information. One respondent sought clarification as to whether lapsed LEIs remain valid for CID purposes, specifically inquiring whether the HKIDR-DM obliges RRIs to renew LEIs on an annual basis. The respondent also highlighted that many clients do not respond to requests for LEI renewal.

The SFC's response

42. Under the proposed paragraph 5.6A(k) of the SFC Code of Conduct, an RRI is required to take all reasonable steps to ensure that the BCAN and CID it submits are accurate and up-to-date. Where the CID changes, the RRI should promptly notify HKFE or SEHK, as the case may be, by submitting an updated BCAN-CID Mapping File. The HKIDR-DM requirements do not require annual LEI renewal.

43. We note that an LEI remains unique to a client once issued. We also recognise that annual LEI renewal does not typically result in any change to the CID, as the LEI number itself remains unchanged, even if the client updates details such as its business address in the LEI database. In cases where there is no change to the CID, notification to HKFE or SEHK is not required.

(iii) Other comments

Public comments

44. One respondent recommended the adoption of industry-standard FIX[5] message tags to streamline implementation and reduce the need for custom system development. The respondent also sought clarification on whether any order rejection logic under the HKIDR-DM would function in real time.

The SFC's response

45. As mentioned in HKEX's ODP information papers, the ODP will operate using a unified binary protocol. Accordingly, binary message tags will be adopted for the HKIDR-DM to ensure consistency with the ODP's communication protocol. Regarding order rejection logic, the ODP will perform real-time validations of (i) whether a BCAN is included with an order or quote, and (ii) whether the BCAN format is valid, and will reject any orders or quotes that do not meet these requirements.

[5] Refers to Financial Information eXchange protocol.

Block trades and aggregated orders

Q7	**What are your views and recommendations on the reporting requirements for Block Trades and aggregated trades? Please provide detailed feedback and explanations.**

(i) BCAN tagging requirements for block trades

Public comments

46. One respondent requested clarification on BCAN tagging requirements for block trades executed outside the electronic Central Limit Order Book, specifically where: (a) transactions are matched by a third-party inter-dealer broker and reported to HKEX by the General Clearing Participant (**GCP**); and (b) a firm's principal desk transacts with a client and the resulting block trade is reported by the GCP. The respondent sought confirmation that, in both scenarios, BCAN tagging should be performed by the GCP responsible for reporting the trade to HKEX.

The SFC's response

47. As outlined in the Consultation Paper, BCAN tagging for block trade orders generally adheres to the same principles applicable to agency trade orders. Under the current framework, block trades may be entered into the HKFE Trading System by one or both Exchange Participants (**EPs**), and the system will reject orders where the required BCANs are not provided. According to the information provided by HKEX, GCPs that are not responsible for trade execution are currently not subject to reporting obligations for block trades.

(ii) Reporting of BCANs in aggregated orders for block trades

Public comments

48. One respondent suggested that, due to the complexity and time-sensitive nature of aggregated orders for block trades, the prescribed timeframe for submitting BCAN details for the underlying orders should be at least 15 minutes from the submission of the aggregated order.

49. Confirmation was sought on whether the SFC will enable bulk upload by market participants, and whether sufficient time will be provided between the submission of a bulk block order and the provision of BCANs for each underlying order.

The SFC's response

50. As set out in the Consultation Paper, the BCAN assignment process for block trades and aggregated trades is aligned with the approach adopted under the HKIDR-S. Specifically, an RRI is required to assign and tag a specific code to each aggregated order upon submission, as prescribed by HKEX. To ensure traceability and prevent circumvention of the regime, RRIs must subsequently submit information for each underlying order, including the relevant BCAN for each Relevant Client, by a prescribed deadline. Consistent with the HKIDR-S, the SFC will allow RRIs up to three business days after the trade date (T+3) to report the underlying orders of executed aggregated orders for block trades.

Proposed amendments to the SFC Code of Conduct

Q8	**Could you share your feedback regarding the proposed revisions to the SFC Code of Conduct aimed at facilitating the implementation of the HKIDR-DM? Please mark up your suggested changes to the draft and provide a detailed explanation of the reasons for such changes.**

Public comments

51. Respondents generally have no comment on or objection to the proposed revisions to the SFC Code of Conduct. One respondent noted that it is unclear whether the requirements to submit BCAN details for underlying orders should apply only to "executed" aggregated orders or to all aggregated order submitted. The respondent suggested that the qualifier "executed" for aggregated orders in the draft paragraph 5.6A(h) of the SFC Code of Conduct should be deleted. Another respondent recommended aligning the HKIDR-DM framework with the HKIDR-S where appropriate, in order to enhance consistency and minimise implementation complexity.

The SFC's response

52. We would like to clarify that for aggregated orders, the submission of BCANs of underlying orders under the proposed paragraph 5.6A(h) of the SFC Code of Conduct applies only to executed aggregated orders or executed block trades, as expressly stipulated. For aggregated orders that are cancelled or only partially executed, BCANs for the underlying orders should be submitted only for the portion of the aggregated order that has been executed. This approach takes into account the practical operations of block trades or fund allocations, where partial execution is common and dealers may not have complete information on the underlying BCAN at the time the aggregated order is placed.

53. The draft paragraph 5.6A of the SFC Code of Conduct for the HKIDR-DM is closely modelled on the existing paragraph 5.6 of the SFC Code of Conduct for the HKIDR-S, with only minimal amendments to address essential differences between the securities and derivatives markets. For clarity, there are no changes to the framework previously set out in the Consultation Paper. The SFC agrees that alignment with the HKIDR-S framework is desirable to facilitate implementation and ensure consistency.

Implementation timeline

Q9	**Do you have any comments on the proposed timeline for implementing the HKIDR-DM? If so, please elaborate.**

Public comments

54. Respondents were generally supportive of aligning the implementation of the HKIDR-DM with the rollout of HKEX's ODP, which is scheduled for 2028. One respondent believed that the proposed launch of the HKIDR-DM by the first quarter of 2028 would be reasonable provided that the Conclusions Paper could be released within the first half of 2026. Another respondent suggested implementing the HKIDR-DM after 2028 as resources and costs will be incurred in the 2028 ODP implementation.

55. Clarification was sought on whether the HKIDR-DM timeline will be adjusted should the ODP implementation be delayed.

56. Another respondent further recommended adopting a phased approach and conducting industry-wide market rehearsals, similar to those undertaken for the HKIDR-S rollout, to support market readiness for the HKIDR-DM. The respondent also suggested early publication of technical specifications and validation rules to facilitate timely system development and vendor engagement, thereby enhancing overall market readiness.

57. One respondent suggested that FAQs on the HKIDR-DM be provided to facilitate implementation and support market participants in understanding the new requirements.

The SFC's response

58. After considering market feedback, the SFC has concluded that implementing the HKIDR-DM concurrently with the ODP rollout, rather than afterwards, is the most reasonable approach. This enables market participants to integrate the HKIDR-DM functionalities while upgrading their systems for the ODP rollout.

59. HKEX announced in April 2026 that it aims to fully launch ODP by the second quarter of 2028. Accordingly, the implementation of the HKIDR-DM is currently scheduled for the second quarter of 2028, subject to the completion of system testing and market rehearsals. Should the ODP implementation be delayed, the SFC will announce an updated timeline as appropriate.

60. We will work with HKEX to provide a system testing period and organise training sessions for the industry (including service vendors) ahead of implementation. HKEX will soon release an information paper about the operational logistics of the regime, and technical specifications to facilitate system enhancements.

61. In addition, we will take into account respondents' other suggestions as we proceed to the implementation phase, and will work with HKEX to streamline the technical processes under the HKIDR-DM with a view to promoting operational efficiency and minimising manual reporting procedures to the extent practicable.

Other comments

(i) <u>Use of consent letter template issued by the SFC for the HKIDR-S</u>

Public comments

62. One respondent sought clarification on whether intermediaries can use on the previous consent letter template issued by the SFC for the HKIDR-S on 13 September 2021 for implementing the HKIDR-DM, and whether no additional express consent is required to be obtained under the HKIDR-DM from clients who have already provided the previous consent letter for the HKIDR-S.

The SFC's response

63. As outlined in the Consultation Paper, the proposed HKIDR-DM represents a new arrangement and is likely to constitute a new purpose distinct from the purpose for which personal data was originally collected and processed under the HKIDR-S. If an RRI intends to use previously collected personal data of a client for a new purpose that was not disclosed at the time of collection, it is required to obtain the client's prescribed consent in accordance with the PDPO[6]. RRIs subject to both the HKIDR-S and the proposed HKIDR-DM, who have previously obtained express consent from their clients to transfer their CIDs to SEHK and/or the SFC under the HKIDR-S, may be required to obtain additional consent from their clients for transferring their CIDs to HKEX and/or the SFC for implementing the HKIDR-DM, given that the original consent may not encompass the derivatives market.

64. RRIs are advised to review their internal arrangements to ascertain whether additional consent from clients is required and, in case of doubt, seek independent legal advice. To facilitate RRIs in this process, the SFC will issue further guidance regarding consent requirements, together with a consent letter template for application under the HKIDR-DM where required.

(ii) Disclosure of currency-linked derivatives and market integrity

Public comments

65. One respondent expressed general concern that the excessive use of currency-linked derivatives could pose risk to local currency market stability. The respondent suggested enhanced identification of these risks and disclosure of relevant entities to facilitate regulatory monitoring.

66. The respondent also expressed concerns about market integrity and the risk of manipulation. It is suggested that regulators should publicly identify and list entities involved in such activities to deter further market misconduct and strengthen market integrity.

The SFC's response

67. The SFC acknowledges the respondent's concerns. Hong Kong maintains a comprehensive position limit and LOP Reporting Regime to monitor and manage concentration risks in futures and options markets. Together with the proposed HKIDR-DM, these regimes enable effective monitoring of market activities and systemic risks.

68. While the SFC recognises the importance of transparency, any public identification of entities must be conducted in accordance with applicable laws and due process to protect privacy and reputation, and uphold legitimate interests.

[6] Please see Data Protection Principle 3 in Schedule 1 to the Personal Data (Privacy) Ordinance (PDPO).

Conclusions and the way forward

69. Upon careful consideration of the responses received and in alignment with its regulatory objectives, the SFC will proceed with the implementation of the proposals as outlined above and adopt the amendments to the SFC Code of Conduct as set out in Appendix C of this paper. Circulars addressing implementation matters, including the requirement for client consent, will be issued by September 2026 to provide the industry with better guidance regarding the necessary preparations and the timeline for key elements underpinning the regime's rollout.

70. Additionally, the SFC has established a dedicated mailbox, HKIDR-DM-faq@sfc.hk, to handle enquiries related to the HKIDR-DM. FAQs will be prepared to address those queries that are frequently asked, or of wider industry concern.

71. The amendments to the SFC Code of Conduct and the specific implementation date for the HKIDR-DM will be published in the Gazette and will come into effect on a date to be determined by the SFC. This will be coordinated with the implementation of the ODP, following the successful completion of requisite system testing and market rehearsals. At present, the target implementation date is scheduled for the second quarter of 2028 to align with the ODP implementation. Any updates on the timeline will be announced in due course. The SFC wishes to extend its appreciation to all respondents for their valuable submissions.

Appendix A - List of respondents

(in alphabetical order)

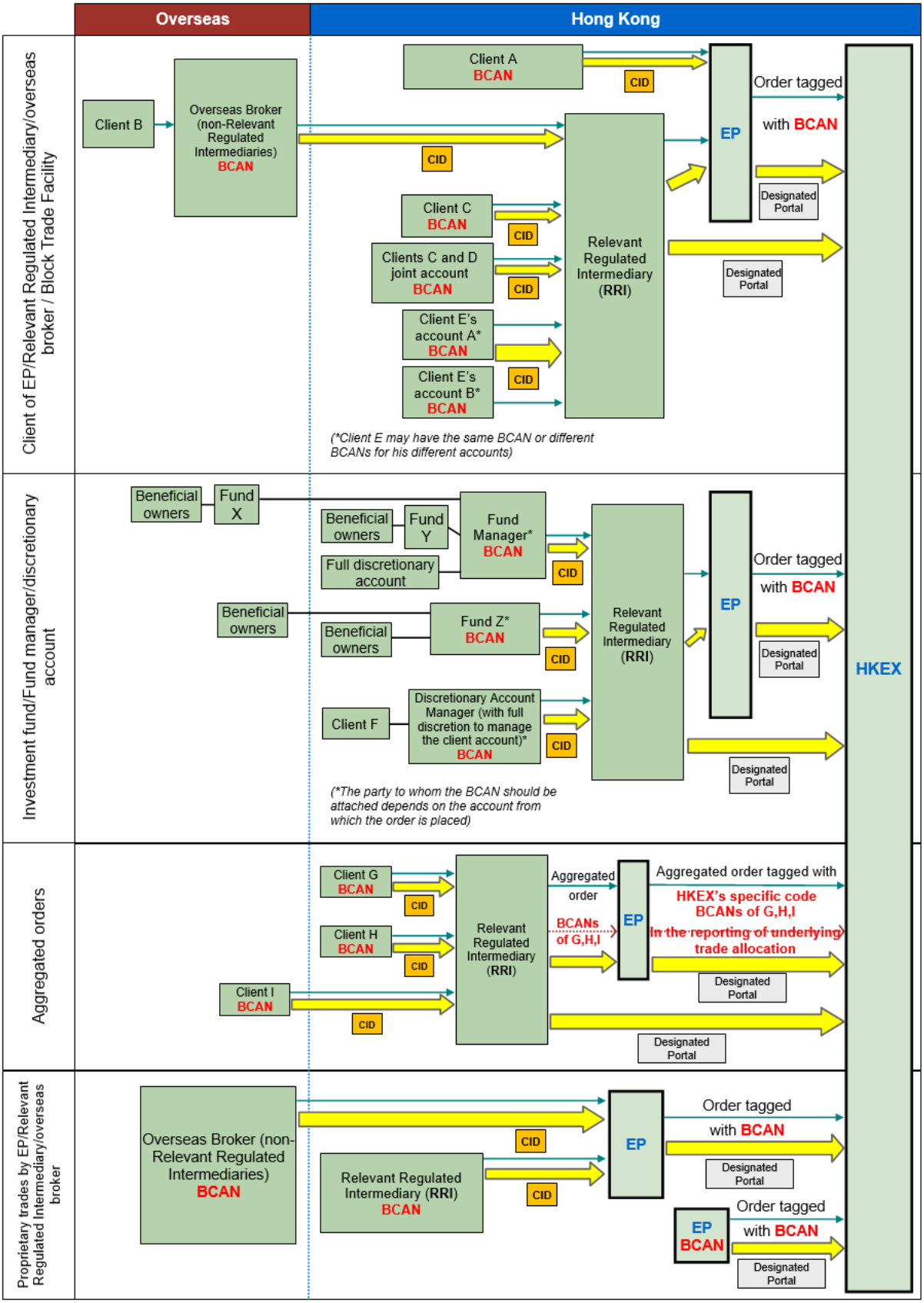
Respondents who have no objection to publication of name and content of submission

1. CompliancePlus Consulting Limited
2. Futures Industry Association
3. Hong Kong Association of Online Brokers
4. Hong Kong Securities Association
5. Syamantak Saha, Mr
6. The Institute of Securities Dealers

Respondents who requested submission to be published on a "no-name" basis

3 submissions

Appendix B - Illustrative scenarios for BCAN assignment



EP	Exchange Participants (they are also Relevant Regulated Intermediaries)
Relevant Regulated Intermediary	SFC-licensed corporation or registered institution subject to the obligations under the HKIDR-DM.
	Flow of CID file submission to HKEX either through a designated EP or the Designated Portal directly. For BCANs associated with multiple accounts of the same client in a Relevant Regulated Intermediary, the same CID should be reported to HKEX
	Flow of an order instruction
	Submission of the BCANs of the underlying orders to HKEX by a time prescribed by HKEX for an executed aggregated order
BCAN	Broker-to-Client Assigned Number
CID	Client Identification Data to a Relevant Regulated Intermediary. The Relevant Regulated Intermediary stores CID with associated BCANs for all direct clients in a BCAN-CID Mapping File
Designated Portal	A designated portal to be developed for Relevant Regulated Intermediary including EPs to submit their CID (in a BCAN-CID Mapping File)

Appendix C - Amendments to the SFC Code of Conduct

The SFC proposes to introduce the proposals discussed in this paper by adding the following new sub-paragraph 5.6A at the end of paragraph 5.6 of the SFC Code of Conduct and making corresponding changes to paragraph 5.6(b):

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;

(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.

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Note – the following changes (marked in red) proposed to be made to paragraph 5.6(b) of the SFC Code of Conduct are corresponding changes made for alignment with paragraph 5.6A(b). The changes proposed to be made in paragraph 5.6(b)(xvi) are to clarify the policy intention that proprietary trading that falls under the definition of "specified activities" is limited to that conducted by a licensed or registered person licensed or registered for Type 1 regulated activity. In the case of a licensed or registered person (other than a licensed or registered person licensed or registered for Type 1 regulated activity) conducting proprietary trading via a trading account maintained with a broker, such proprietary trading activities will not fall under the definition of "specified activities" and as such, the licensed or registered person in question is not an RRI by virtue of its proprietary trading activities.

5.6 Investor identification — on-exchange orders and off-exchange trades reportable to SEHK

(b) For the purposes of this paragraph:

(i) "aggregated order" means an order which comprises two or more buy orders ~~and/~~or sell orders for the same listed security placed by different clients, which may be executed as an on-exchange order or off-exchange order;

(ii) "BCAN" means a "Broker-to-Client Assigned Number", being a unique identification code in the format prescribed by SEHK, generated by a relevant licensed or registered person in accordance with SEHK's requirements;

(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 SEHK from time to time;

(iv) "CID" means the client identification data as described in paragraph 5.6(n);

(v) "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 off-exchange order through a securities trading account with that person;

(vi) "client" has the meaning as set out in paragraph 5.6(m);

(vii) "listed security" means any security listed or traded on SEHK's trading system;

(viii) "odd lot" means the number of shares of a corporation which is less than one board lot as shown on SEHK's website;

(ix) "odd lot/special lot market" means a market established for the trading of odd lots as described in and pursuant to SEHK's requirements;

(x) "OE Trade Reporting", refers to the reporting of an off-exchange trade directly by an exchange participant to SEHK according to its rules;

(xi) "on-exchange order" means a buy or sell order for a listed security which is to be executed on the automatic order matching system operated by SEHK;

(xii) "off-exchange order" means a buy or sell order for a listed security which is to be executed outside SEHK's automatic order matching system and the consummation of which would result in an off-exchange trade;

(xiii) "off-exchange trade" means a trade of a listed security which takes place outside SEHK's automatic order matching system but is reportable by exchange participants to SEHK pursuant to its rules;

(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;

(2) carries out an off-exchange order; or

(3) conducts OE Trade Reporting,

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 and (ii) the provision of securities brokerage services for a person in respect of orders placed through an account opened and maintained for that person.