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

22 September 2025

Contents

Foreword

The Securities and Futures Commission (**SFC**) invites market participants and interested parties to submit written comments on the proposals discussed in this consultation paper, or to comment on related matters that may have a significant impact on those proposals, by no later than 22 December 2025. Persons wishing to submit comments on behalf of any organisation should provide details of the organisation whose views they represent.

All submissions received before the end of the consultation period will be carefully considered, following which consultation conclusions will be published.

Please note that the names of respondents to this consultation paper and the contents of their submissions may be published on the SFC website and in other documents to be published by the SFC. In this connection, please read the Personal Information Collection Statement in this consultation paper. If you do not want your name or submission to be published, please state so when you make your submission.

Written comments may be sent –

By mail to :	Supervision of Markets Division Securities and Futures Commission 54/F, One Island East 18 Westlands Road Quarry Bay Hong Kong
By on-line submission to :	http://www.sfc.hk/edistributionWeb/gateway/EN/consultation/
By email to :	HKIDR-DM-consultation@sfc.hk

Securities and Futures Commission
Hong Kong
22 September 2025

Personal information collection statement

1. This Personal Information Collection Statement is made in accordance with the guidelines issued by the Privacy Commissioner for Personal Data. It sets out the purposes for which your Personal Data[1] will be used following collection, what you are agreeing to with respect to the SFC's use of your Personal Data and your rights under the Personal Data (Privacy) Ordinance (Cap. 486) (**PDPO**).

Purpose of collection

2. The Personal Data provided in your submission to the SFC in response to this consultation paper may be used by the SFC for one or more of the following purposes –

   (a) to administer the relevant provisions[2] and codes and guidelines published pursuant to the powers vested in the SFC;

   (b) in performing the SFC's statutory functions under the relevant provisions;

   (c) for research and statistical purposes; and

   (d) for other purposes permitted by law.

Transfer of personal data

3. Personal Data may be disclosed by the SFC to members of the public in Hong Kong and elsewhere as part of the public consultation on this consultation paper. The names of persons who submit comments on this consultation paper, together with the whole or part of their submission, may be disclosed to members of the public. This will be done by publishing this information on the SFC website and in documents to be published by the SFC during the consultation period or at its conclusion.

Access to data

4. You have the right to request access to and correction of your Personal Data in accordance with the provisions of the PDPO. Your right of access includes the right to obtain a copy of your Personal Data provided in your submissions on this consultation paper. The SFC has the right to charge a reasonable fee for processing any data access request.

Retention

5. Personal Data provided to the SFC in response to this consultation paper will be retained for such period as may be necessary for the proper discharge of the SFC's functions.

---

[1] Personal data means personal information as defined in the Personal Data (Privacy) Ordinance (Cap. 486).
[2] The term "relevant provisions" is defined in section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571) and refers to the provisions of that Ordinance, together with certain provisions in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32), the Companies Ordinance (Cap. 622) and the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615).

Enquiries

6. Any enquiries regarding the Personal Data provided in your submission on this consultation paper, or requests for access to Personal Data or correction of Personal Data should be addressed in writing to:

   The Data Privacy Officer
   Securities and Futures Commission
   54/F, One Island East
   18 Westlands Road
   Quarry Bay
   Hong Kong

7. A copy of the Privacy Policy Statement adopted by the SFC is available upon request.

Executive summary

1. The proposed Hong Kong investor identification regime for the derivatives market (**HKIDR-DM**) aims to enhance regulatory oversight and market integrity in Hong Kong's exchange-traded derivatives market. Building upon the successful implementation of the Hong Kong investor identification regime for the securities market (**HKIDR-S**) in March 2023, the HKIDR-DM seeks to extend similar investor identification measures to the exchange-traded derivatives market, thereby bolstering the SFC's capacity to monitor trading activities and detect market misconduct effectively. Enhancing regulatory monitoring and oversight to safeguard investor interests, and upholding market integrity will provide a strong foundation that facilitates sustainable market development.

2. The scope of the HKIDR-DM encompasses order submissions for futures contracts, options contracts and stock options (together, **Futures and Options Contracts**) traded on the trading system (**HKFE Trading System**) of the Hong Kong Futures Exchange Limited (**HKFE**). The regime will apply to Relevant Regulated Intermediaries (**RRIs**), i.e., licensed corporations (**LCs**) and registered institutions (**RIs**) that trade (as principal or agent) Futures and Options Contracts.

3. The requirements under the proposed HKIDR-DM are similar to those currently set out in the HKIDR-S. RRIs will be required to assign a unique "Broker-to-Client Assigned Number" (**BCAN**) to **Relevant Clients** (as defined below) placing or intending to place orders for Futures and Options Contracts on the HKFE Trading System. RRIs must collect and submit up-to-date client identification data (**CIDs**) alongside the BCAN in a file (**BCAN-CID Mapping File**) to a central data repository maintained by Hong Kong Exchanges and Clearing Limited (**HKEX**)[3] within the prescribed timeframe. Additionally, RRIs must include the BCAN in order submissions to the HKFE Trading System, and implement stringent data privacy and security measures to safeguard the collection, transmission, and storage of data.

4. Also consistent with the HKIDR-S, the CIDs to be collected will be limited to essential information, specifically the client's full name, identity document type, issuing jurisdiction, and identity document number.

5. Following the completion of this consultation, the SFC preliminarily expects to implement the HKIDR-DM by the first quarter of 2028. The proposed timeline incorporates an adequate preparation period of approximately 18 to 24 months, during which RRIs will obtain client consent (if required) and upgrade their order management systems to comply with the HKIDR-DM operational framework within the new HKFE Trading System environment.

6. This paper is organised into the following parts:

    (a) Part 1 provides an introduction and key background information.

    (b) Part 2 outlines the proposed scope of the HKIDR-DM.

    (c) Part 3 elaborates on the proposed operational model of the HKIDR-DM and its rationale.

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

(d) Part 4 details specific operational aspects.

(e) Part 5 specifies the consent requirements for RRIs to collect clients' CIDs and outlines the expected security measures of the SFC and HKEX to protect the CIDs during collection, transmission, and storage.

(f) Part 6 proposes amendments to the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (**SFC Code of Conduct**).

(g) Part 7 discusses the timeline for implementing the HKIDR-DM.

Proposals to implement an investor identification regime at trading level for the exchange-traded derivatives market in Hong Kong

Part 1. Background

Implementation of the investor identification regime for the securities market

7. In March 2023, Hong Kong successfully implemented the HKIDR-S. In September the same year, an over-the-counter (**OTC**) securities transactions reporting regime for shares listed on The Stock Exchange of Hong Kong Limited (**SEHK**) was also introduced. These initiatives marked a significant advancement in the regulatory landscape, aiming to enhance transparency and accountability in the financial system. These regimes have brought about numerous benefits, notably bolstering the SFC's market surveillance capabilities. By enabling the SFC to monitor trading activities at the investor level more effectively, the regimes have enhanced the efficiency in detecting and responding to market misconduct, thereby upholding market integrity and strengthening investor confidence.

8. The successful rollout of the HKIDR-S has not only helped improve the SFC's market surveillance, but also enhanced overall market efficiency. Before the HKIDR-S was implemented, the trading system of SEHK recorded only the identity of an Exchange Participant (**EP**) executing an order on behalf of its client. When irregular trading activities were observed, the SFC had to issue notices under section 181 of the Securities and Futures Ordinance (**SFO**) (**Section 181 Notices**) to the relevant LCs or RIs to enquire about the orders or trades, and often the identities of the underlying clients. Following the introduction of the HKIDR-S, the issue of Section 181 Notices had decreased by 21% from a total of 5,851 notices issued in the year ending March 2023 (before the HKIDR-S implementation) to 4,627 notices issued in the year ending March 2024 (after the HKIDR-S implementation). This reduction has enabled both the SFC and LCs/RIs to save costs and manpower while maintaining the same regulatory standard.

Extending the investor identification regime to the exchange-traded derivatives market

9. The HKIDR-S rolled out in March 2023 focused only on the securities market to provide sufficient time for market participants to adapt to the new regime. Since its implementation, the SFC has garnered more experience in designing the appropriate model for the HKIDR-DM.

10. As stated in the SFC's December 2020 consultation paper to seek feedback on the HKIDR-S, our ultimate goal is for the regime to also cover the exchange-traded derivatives market. Given the success of the HKIDR-S implementation two years ago, and considering that market participants have integrated HKIDR-S into their routine operations, it is now time to extend comparable measures to the exchange-traded derivatives market in Hong Kong so as to further enhance the SFC's overall market surveillance capabilities.

11. To simplify implementation and minimise operational costs, the proposed HKIDR-DM will adopt a model similar to that of the HKIDR-S.

Benefits of an investor identification regime for the exchange-traded derivatives market

12. The derivatives market, characterised by its complexity and rapid trading dynamics, presents unique challenges in terms of monitoring and oversight. An investor identification regime at the trading level for this segment would enhance the SFC's ability to identify underlying investors, monitor suspicious trading behaviours, and detect potential misconduct. It will also deter fraudulent activities and manipulative practices, as participants know they can be identified and held accountable. This contributes to maintaining a fair and orderly market.

13. Furthermore, such a regime will enhance the SFC's cross-market surveillance capabilities, complementing its surveillance of the securities market under the HKIDR-S. By extending the investor identification regime to the exchange-traded derivatives market, it allows the SFC to track the behaviour of certain segments of investors and identify patterns that could signal systemic risks or unusual market activities that may have spill-over effects on other sectors of the financial system. It fosters Hong Kong's market stability and competitiveness as a leading financial hub.

Adoption of investor identification measures in major financial markets

14. A comparative analysis of investor identification measures in major financial markets further supports the proposed investor identification regime in Hong Kong. Many leading financial centres, including Mainland China, Australia, Singapore, the United States (**U.S.**) the European Union (**EU**) and the United Kingdom (**UK**), have already established various investor identification frameworks in their derivatives markets, requiring order-level investor identification and/or trade-level reporting to regulators to some extent. A summary of major markets' adoption of investor identification measures in the derivatives market is provided in Appendix 1.

15. By adopting a robust investor identification regime in the exchange-traded derivatives market, Hong Kong will align with international standards and global best practices.

Part 2. Proposed scope of the HKIDR-DM

Products in scope for the proposed HKIDR-DM

16. The proposed regime seeks to cover order submissions for Futures and Options Contracts traded on the HKFE Trading System[4]. These are stock options, futures contracts and options contracts[5]. Similar to the HKIDR-S, we propose that both buy and sell orders fall within the scope and must be tagged with a BCAN. Additionally, only order submissions at the trading level are covered. Activities at the clearing and settlement level[6] or investors' holdings of exchange-traded derivatives products[7] are not proposed to be included under the 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.**

Intermediaries in scope for the proposed HKIDR-DM

17. Consistent with the arrangement under the HKIDR-S, we propose that LCs and RIs which submit orders – either for themselves or their clients – for Futures and Options Contracts traded on the HKFE Trading System, be designated as RRIs and subject to the HKIDR-DM.

18. It is important to note that under the proposed HKIDR-DM, not all LCs or RIs are classified as RRIs. An RRI refers to an LC or RI that either (i) is 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 engages in proprietary trading in Futures and Options Contracts, or (ii) provides brokerage services in Futures and Options Contracts for another person (a client) in respect of orders placed through an account opened and maintained for the client. For example, a custodian or a fund manager licensed for Type 2 regulated activity may not be an RRI, depending on the capacity in which it handles orders for Futures and Options Contracts. If a fund manager conducts central dealing desk activities which are wholly incidental to its asset management activities and it does not open and maintain futures/options trading accounts for its affiliates in relation to its central dealing desk activities, the fund manager will be regarded as a client of an LC rather than an RRI.

[4] Trades in OTC derivatives products (i.e., unlisted derivatives products) are currently covered under the OTC derivatives reporting regime and will not be covered in the HKIDR-DM.
[5] Derivatives products traded on SEHK's trading systems, including callable bull/bear contracts, derivatives warrants and inline warrants, are currently covered under the HKIDR-S.
[6] For example, give-up and take-up trades as explained in paragraphs 49-50 below.
[7] The proposed regime does not affect a person's current obligation, if any, to report large open positions under the Securities and Futures (Contracts Limits and Reportable Positions) Rules, (Cap. 571Y).

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.**

Clients in scope for the proposed HKIDR-DM

19. Similar to the HKIDR-S, the relevant client whose identity must be disclosed under the HKIDR-DM (**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 the RRI. Where an order is a proprietary order placed by an RRI itself, the Relevant Client refers to the RRI. Where an order is routed through an intermediating chain of brokers, the Relevant Client is the direct client of the last RRI in the chain, starting with the EP executing the order and tracing backwards as illustrated below:

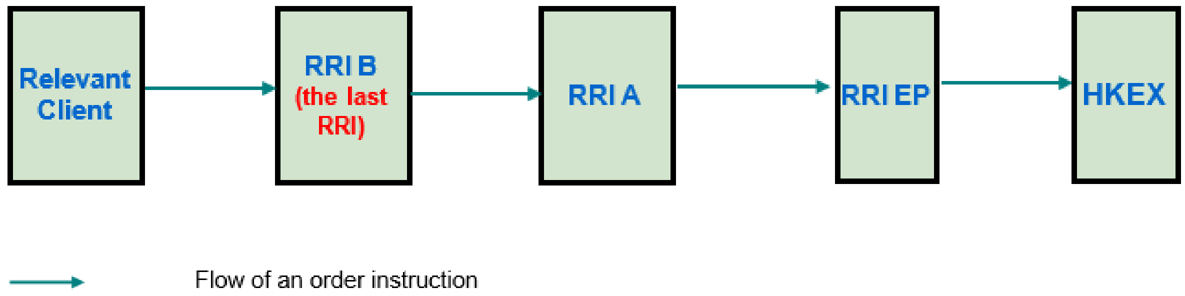


Diagram 1 – Identification of a Relevant Client

20. In the case of discretionary accounts, the Relevant Client is the legal entity that opens the trading account with the RRI. For investment funds (collective investment schemes, or **CIS**), whether the Relevant Client is the asset management company or the individual fund depends on which entity is the account holder of the trading account through which the order is placed. If the fund manager's trading account with an RRI is used for placing an order, the fund manager is the Relevant Client. Conversely, if an order is placed through a trading account held in the name of a CIS[8], the CIS is regarded as the Relevant Client. For detailed illustrations of Relevant Client identification in these scenarios, please refer to paragraph 31 below.

21. In general, under the proposed HKIDR-DM model, the scope of a Relevant Client does not extend beyond the first layer of an overseas broker or overseas client, as the RRIs in scope are limited to certain LCs and RIs as outlined in paragraphs 17 and 18 above. This approach aligns with the current model under the HKIDR-S and addresses concerns related to cross-border data privacy, an unlevel playing field, costs and compliance burdens.

[8] If the investment fund is in the form of a trust and an order is placed from a trading account under the name of the trustee of the trust, the trustee will be regarded as the Relevant Client.

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.**

Part 3. Proposed operational model of the HKIDR-DM

General obligations under the proposed HKIDR-DM

22. Similar to the HKIDR-S, we propose that under the HKIDR-DM, RRIs be required to:

    (a) ensure that a BCAN, which is a unique identification code, is assigned to the Relevant Client who places or intends to place an order for a Futures and Options Contract on the HKFE Trading System;

    (b) ensure that up-to-date CID is collected from each Relevant Client and submitted along with the client's BCAN (by including the BCAN and CID in a BCAN-CID Mapping File)[9] to a central data repository to be maintained by HKEX within the prescribed timeframe;

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

    (d) implement appropriate data privacy and security measures to safeguard the collection, transmission and storage of data, including obtaining express consent[10] from Relevant Clients for the collection and handling of their personal data in compliance with the applicable data privacy laws.

BCAN – format, generation and assignment

23. In order to identify orders for Futures and Options Contracts at the investor level, we propose adopting the same BCAN model and format as implemented under the HKIDR-S. Specifically, we propose that a BCAN takes the format of the RRI's Central Entity Number[11] as the prefix, followed by a separator dot, and a unique number not exceeding 10 digits as the suffix to represent a specific Relevant Client.

24. We propose that RRIs be required to ensure that BCANs are generated and assigned to each of their Relevant Clients[12] (in whose name the trading account is held) and to themselves in the case of proprietary orders. If an RRI is uncertain about which legal entity of the Relevant Client should be assigned a BCAN, the general principle is that

---

[9] 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.
[10] It is proposed that such express consent may be obtained in written and signed hard copy form, electronically (for example by instant messaging applications) or by phone with proper internal records.
[11] The initial three letters of the RRI's Central Entity Number are required to be in uppercase.
[12] In the case where an order is routed through an intermediating chain of RRIs, only the last RRI in the chain (starting with the EP executing the order and working backwards) should generate and assign a BCAN to the Relevant Client and tag the BCAN to the order. Other RRIs in the chain should only pass on the order without altering the BCAN tagged to it. For illustrations, please refer to paragraph 29(b).

the BCAN should be assigned to the holder of the account from which the orders for Futures and Options Contracts are placed. For example, if an account is held in the name of a corporation and some authorised trading representatives (e.g., directors) of the corporation are empowered to place orders for the account, the BCAN should be assigned to the corporation rather than to the authorised trading representatives, recognising the corporation's status in law as a legal person. Similarly, in the case of a CIS, whether a BCAN should be assigned to the asset management company or the individual fund depends on which entity holds the trading account through which an order is placed[13].

25. Although a single unique BCAN is proposed to be assigned to each Relevant Client, consistent with the HKIDR-S, a separate BCAN should be assigned to each joint account. Where a person holds both an individual trading account and a joint trading account with an RRI, a BCAN should be assigned to the person, and a separate BCAN to the joint account. For Relevant Clients with multiple trading accounts held with an RRI, the RRI may assign the same BCAN to all of the Relevant Client's trading accounts or assign different BCANs to each account at its discretion. For detailed illustrations of BCAN assignment in cases of joint accounts or multiple accounts, please refer to paragraphs 30(c) and (d) below respectively.

26. Separately, a BCAN must not bear any obvious link to a Relevant Client's identity (e.g., using the Relevant Client's Hong Kong Identity Card number as the BCAN) and must be kept strictly confidential. However, as long as this "no obvious link" requirement is met, an RRI may use the Relevant Client's existing internal client code or client account number, or adopt the same BCANs used under the HKIDR-S or the investor identification regime for northbound trading under Stock Connect. If an RRI opts to assign a BCAN to a Relevant Client under the HKIDR-DM that is different from the BCAN assigned to the same client under the HKIDR-S, it must use a set of unique numbers distinct from those used by other Relevant Clients under the HKIDR-S to avoid confusion (e.g., a BCAN such as ABC123.1023456789 should not represent Client A under the HKIDR-S and simultaneously represent Client B under the HKIDR-DM for the same RRI).

27. Once a BCAN is assigned to a Relevant Client, it should remain unchanged unless exceptional circumstances arise (e.g., unavoidable BCAN reassignment due to system upgrades or mergers of RRIs). In such cases, the RRI involved must notify HKEX and the SFC with the reasons for the BCAN reassignment. In addition, BCAN must not be reused for another client[14].

28. To ensure smooth trading operations, RRIs are expected to implement effective measures and systems under the proposed regime, including modifications to their internal client management systems to enable the assignment and storage of unique BCANs for their clients. RRIs are also expected to establish automated order management systems to ensure correct and valid BCANs are tagged to their Relevant Clients' orders. Upon implementation of the HKIDR-DM, HKEX will perform real-time validation checks to ensure that a BCAN is properly tagged to each order and that the BCAN is inserted in the prescribed format. In cases where a BCAN is not provided for an order or where the BCAN is detected to be in an invalid format, the order will be rejected.

[13] Please refer to paragraph 20.

[14] A BCAN should not be reused for another client even if the original client has passed away or closed the trading account. This is to safeguard the integrity of the data kept by the SFC and HKEX.

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.

BCAN tagging

29. Consistent with the model adopted under the HKIDR-S, BCAN tagging under the HKIDR-DM is proposed to follow largely the same principles as illustrated in Appendix 2, containing all diagrams in this section showing the types of clients proposed to be covered under the HKIDR-DM.

30. Diagram 2 below illustrates how BCAN tagging would operate for orders of agency trades.

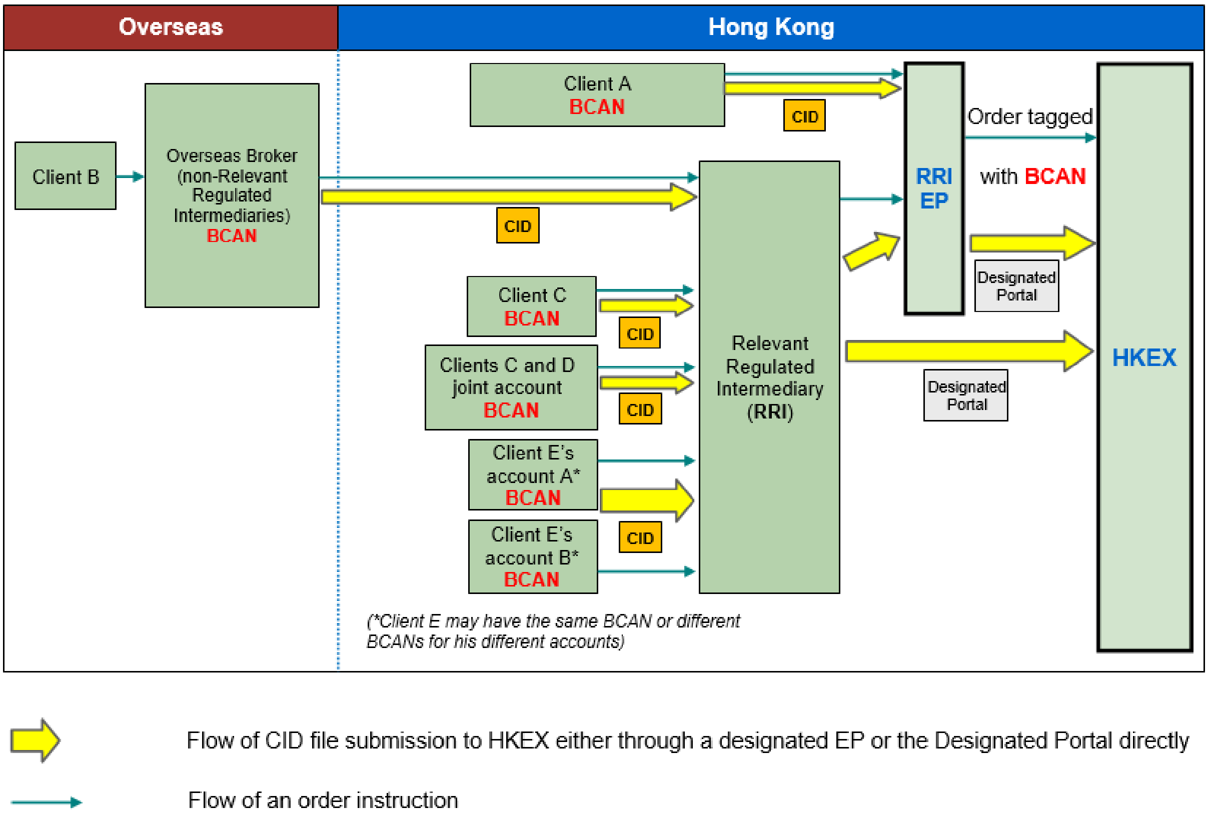


Diagram 2 – BCAN assignment for orders of agency trades

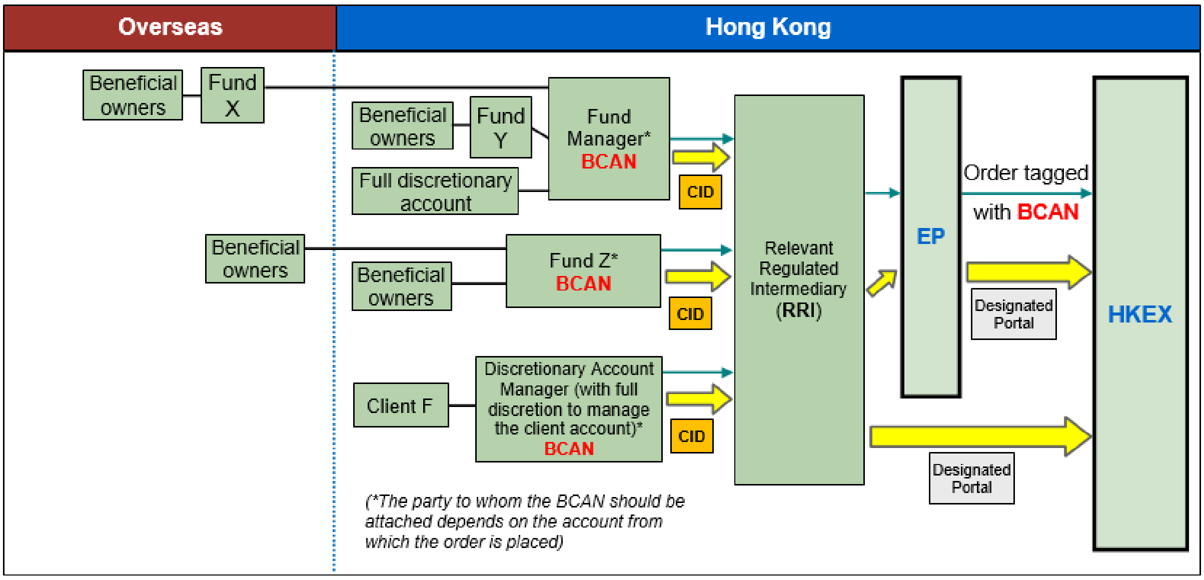
(a) For Client A's order, the EP is the RRI responsible for assigning a BCAN to its Relevant Client (Client A). When the EP executes an order for Client A, it should tag Client A's BCAN to the order placed.

(b) For Client B's order, which is placed directly with an overseas broker, and routed through a chain of RRIs, the Overseas Broker is the Relevant Client (i.e., the direct client of the last RRI in the chain, starting with EP and tracing backwards to the RRI as the last RRI). The RRI should assign a BCAN to the Overseas Broker. When the Overseas Broker routes Client B's order to the RRI, the RRI should tag the Overseas Broker's BCAN to the order before transmitting it to the EP for execution[15]. The EP should not alter or add another BCAN to the order. Client B's identity will not be disclosed under the proposed model.

(c) For orders originating from Client C's account and the joint account of Clients C and D, the RRI is required to assign a BCAN for Client C's individual account and another unique BCAN for the joint account of Clients C and D. Orders from these two accounts should be tagged with their respective BCANs.

(d) For Client E, who holds multiple accounts with the RRI, the RRI has the discretion to assign the same BCAN to both accounts or different BCANs to each of them. If different BCANs are assigned, likewise, orders from these accounts should be tagged with their respective BCANs.

31. For the fund industry, whether a BCAN should be assigned to an asset management company, a fund, or a discretionary account holder is held depends on which entity holds the trading account through which the order is placed. Diagram 3 below illustrates the BCAN assignment for investment funds, fund managers and discretionary accounts.



Flow of CID file submission to HKEX either through a designated EP or the Designated Portal directly

Flow of an order instruction

Diagram 3 – BCAN assignment for the fund industry

(a) For Fund X, Fund Y and the full discretionary account managed by the Fund Manager, where the trading account with the RRI is held in the name of the Fund Manager, orders placed through that account should be tagged with the Fund Manager's BCAN.

[15] There is no issue of breaching the banking secrecy requirements or passing the personal information of a client from an RRI to another RRI in an order involving a chain of brokers. The order is only tagged with a BCAN but not CID. The BCAN only constitutes a group of numerical characters according to the format as prescribed by HKEX and does not bear any obvious link to a client's identity. It is devoid of meaning when read on a standalone basis without the CID.

(b) For Fund Z, where the trading account with the RRI is held directly in the name of Fund Z, orders placed through Fund Z's account should be tagged with Fund Z's BCAN.

(c) For Client F, whose orders are placed through the Discretionary Account Manager's trading account, the orders should be tagged with the Discretionary Account Manager's BCAN.

(d) In all cases, the intention is not to capture the beneficial owners of the investment funds, CIS, or trusts.

32. For proprietary orders, Diagram 4 below illustrates how BCAN tagging should be applied in relation to proprietary orders under the proposed model.

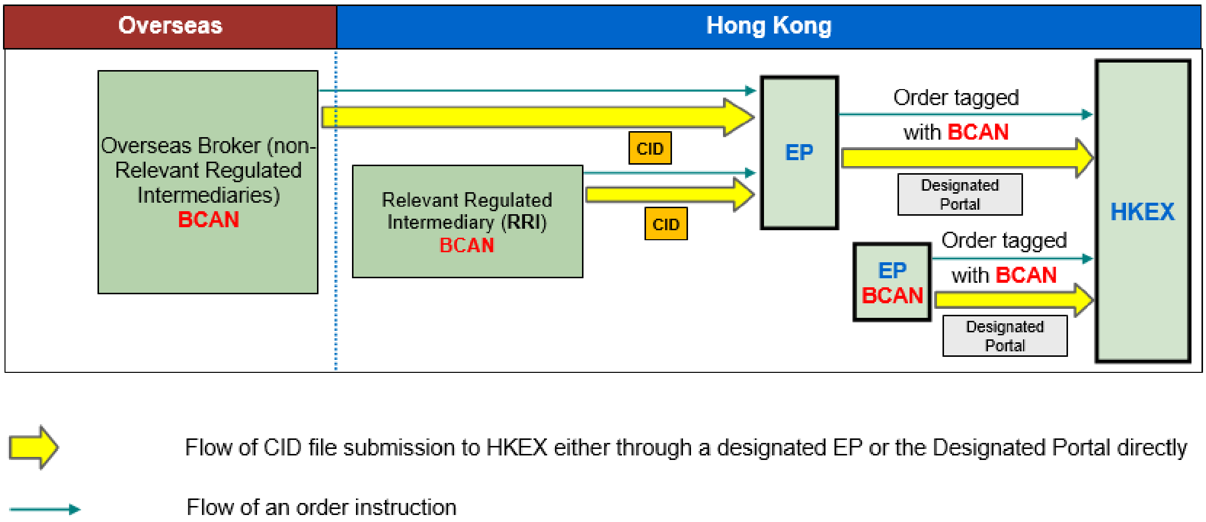


Diagram 4 – BCAN assignment for proprietary orders

(a) For the EP's proprietary order, the EP should assign a BCAN to itself, and its proprietary order should be tagged with this BCAN. The same principle applies to the RRI in Diagram 4, who should tag its proprietary order with the BCAN it assigns to itself and pass it on to the EP for execution. The EP should not alter or add another BCAN to the proprietary order.

(b) For the Overseas Broker's proprietary orders, since it is not an RRI, it should not assign a BCAN to itself. Instead, the EP, being an RRI in this case, should assign a BCAN to its Relevant Client (i.e., Overseas Broker)[16].

Q5	**The SFC seeks your feedback concerning the proposed operational arrangements for the tagging and submission of BCANs. Please explain your views.**

[16] One should note that under the proposed model, generally the identification of investors will not go beyond the first layer of overseas entities. Referring to Client B's order in paragraph 30(b), orders from Oversea Broker's clients and the proprietary orders of Overseas Broker will all be tagged with the same BCAN (Overseas Broker's BCAN).

Types of information constituting the CID

33. In determining the CID to be collected under the HKIDR-S, we were mindful of minimising the collection of personal information from investors, while meeting the SFC's market surveillance needs. The same principle applies to the HKIDR-DM. Consequently, we propose to adopt the same CID[17] requirements as those under the HKIDR-S, with RRIs ensuring that up-to-date CID is submitted to the central data repository maintained by HKEX within the prescribed timeframe in respect of orders for Futures and Options Contracts. The CID requirements are:

(a) For an individual client, his or her:

- full name as shown on his or her identity document;
- identity document's issuing country or jurisdiction;
- identity document type (order of priority: (1) HKID card; (2) national identification document[18]; (3) passport[19]); and
- identity document number on the identity document.

(b) For a corporate client, its:

- full name as shown on its identity document;
- identity document's issuing country or jurisdiction;
- identity document type (order of priority: (1) LEI[20] registration document; (2) certificate of incorporation[21]; (3) business registration certificate[22]; (4) other equivalent documents); and
- identity document number on its identity document.

[17] For the avoidance of doubt, only the specified information and not a copy of the identity document will be required to be submitted to the central data depositary.
[18] In the case of a client with multiple national identities, under the proposed regime the client will have the discretion to select any one of his or her available national identity documents for the purpose of the collection of CID. However, the client must consistently use the same national identification document for the purpose of opening trading accounts with any RRIs to ensure uniformity and traceability.
[19] In the case of a client with multiple passports, under the proposed regime the client will have the discretion to select any one of his or her available passports for the purpose of the collection of CID. However, the client must consistently use the same valid passport for the purpose of opening trading accounts with any RRIs to ensure uniformity and traceability.
[20] LEI refers to the Legal Entity Identifier which is a 20-character alpha-numeric code under the Global LEI System adopted by the Financial Stability Board to uniquely identify distinct legal entities which participate in financial transactions.
[21] As the Hong Kong Companies Registry implemented the Unique Business Identifier (**UBI**) on 27 December 2023, the UBI will be adopted as the identity document number on the relevant entity's certificate of incorporation and business registration certificate.
[22] In the case of Hong Kong incorporated companies, it is noted that a company with branches may have different business registration numbers. However, according to the website of the HKSAR Government's Inland Revenue Department, company business registration numbers consist of eight digits, and in the case of a branch this is followed by a three-digit branch number (e.g., 12345678-001). Accordingly, the company to which the branch is attached can be uniquely identified using only the first eight digits of the business registration number.

(c) For a client that is a trust:

- the CID of the trustee, which should be the same as that of a corporate or individual client as set out above;
- however, in the case of a trust which is an investment fund (CIS), the CID of the asset management company or the individual fund (CIS), as appropriate, which has opened a trading account with the RRI.

(d) For clients of a joint account:

- the CIDs for all clients (in line with the above proposed requirements, depending on the nature of the client) named for a joint account should be provided under the same BCAN assigned to that account.

Collection and submission of CIDs

34. Consistent with the HKIDR-S framework, the RRI responsible for assigning a BCAN to a Relevant Client should also bear the responsibility for collecting the CID from that client. Upon collection, the RRI must compile the CID and BCAN information for all clients into a file, namely the "BCAN-CID Mapping File", in a format designated by HKEX. If the RRI is an EP, it may directly submit the BCAN-CID Mapping File to the central data repository maintained by HKEX. A non-EP RRI may submit the file directly to HKEX via a designated web portal (**Designated Portal**)[23], or indirectly by providing the file to another RRI in the same manner as it routes an order.

35. Each RRI collecting CID from their Relevant Clients must implement measures to ensure that the BCAN-CID Mapping File is submitted to the central data repository maintained by HKEX within a prescribed timeframe, as outlined in paragraphs 38 to 40 below.

36. The submission of the BCAN-CID Mapping File is expected to be a one-off exercise, with updates required only in the event of changes to the Relevant Clients' CID information (including the onboarding of new clients and the closure of existing clients' accounts). Consequently, it will not be necessary to submit the BCAN-CID Mapping File each time an order is placed with an RRI. For updates to the BCAN-CID Mapping File, a complete file containing the CIDs of all Relevant Clients must be uploaded to the data repository on the day the update is made, even if the update pertains only to one or some of the Relevant Clients.

37. Failure to submit the BCAN-CID Mapping File to HKEX by the prescribed timeframe will not invalidate the order. However, such failure may constitute a breach of the requirements set forth in the SFC Code of Conduct and may contravene HKEX's relevant rules.

38. In view of the considerable volume of investors whose CIDs must be submitted under the proposed regime, and to facilitate a smooth transition, the CIDs of Relevant Clients who have already opened accounts with an RRI and conducted trades through those accounts should generally be submitted within a specified period prior to the

[23] HKEX and the SFC will establish a designated web portal which will allow non-EP RRIs to directly submit the CIDs for their Relevant Clients (in the form of a BCAN-CID Mapping File) to the central data repository maintained by HKEX.

implementation date of the HKIDR-DM, and in any event, no later than the business day before the trading day[24] (T-1).

39. As for CIDs pertaining to (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, we propose to adopt the same relief measures as those implemented under the HKIDR-S.

40. For a new client assigned a BCAN on the trading day, the BCAN-CID Mapping File containing the new client's CID can be submitted to HKEX's data repository either before or after the client's order is submitted, but in any event before a cut-off time on the same trading day[25] as prescribed by HKEX. This relief measure also applies to dormant clients[26].

41. A newly on-boarded client may trade on the day of account opening, and a dormant client may trade on the day his or her account becomes re-activated (i.e., the day of entering into a trade). A BCAN may be assigned[27] by an RRI upon account opening (for a newly on-boarded clients) and as part of the preparatory process for implementing the regime (for all existing clients, regardless of whether they are dormant clients). When an RRI inputs an order for newly on-boarded or dormant clients, the order must be tagged with BCANs accordingly.

42. To ensure the smooth operation of the proposed HKIDR-DM following its implementation, under the proposal, RRIs will be required to enhance their systems correspondingly to (a) ensure the CIDs, in the form of a BCAN-CID Mapping File, are duly submitted to the central data repository as required, (b) maintain up-to-date CID for Relevant Clients to whom they have assigned BCANs, and (c) promptly reflect any changes to their Relevant Clients' CIDs in the central data repository as soon as possible. Diagram 5 below provides an overview of BCAN-CID Mapping File and order data flow to HKEX's data repository and the HKFE Trading System.

---

[24] 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.
[25] This refers to the day a newly on-boarded client places his or her first trade or a dormant client places his or her first trade after dormancy.
[26] Dormant accounts for the purposes of the HKIDR-S and HKIDR-DM refer to those accounts which have been inactive in trading for 24 months since the last trade (irrespective of account balance or movement).
[27] There is no pre-validation requirement under the HKIDR-DM for the BCAN assigned by an RRI nor for the BCAN-CID Mapping File submitted by the RRI. In other words, an RRI does not need to wait for confirmation that the BCAN or BCAN-CID Mapping File is valid before it tags the BCAN to an order. However, there will be a mechanism on the HKFE Trading System to check order inputs to ensure a BCAN is tagged and in the right format. Those orders without BCANs or without BCANs in the correct format will be rejected by the HKFE Trading System.

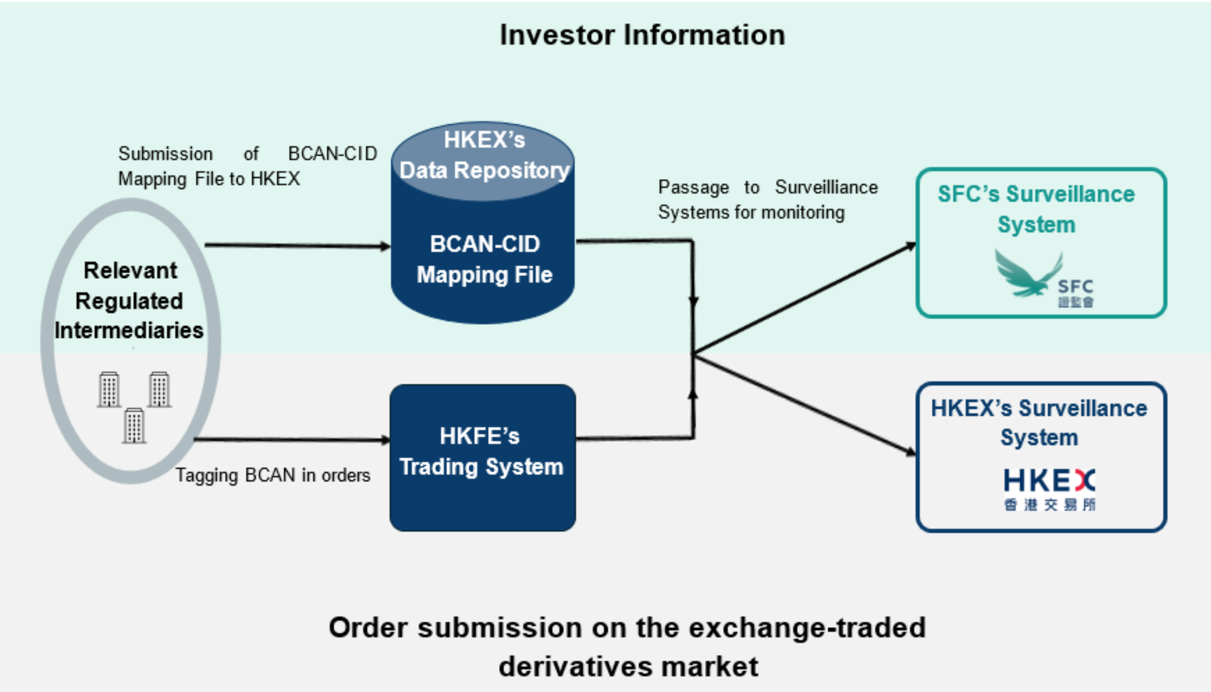


Diagram 5 – Information flow to HKEX's data repository and the HKFE Trading System

Allowing a different repository for HKIDR-DM but the same BCAN as the HKIDR-S

43. We observed that, typically, distinct systems and different companies operating under the same corporate umbrella are utilised to manage transactions for the securities market and the derivatives market. This segregation of systems and entities enables more specialised handling of operations specific to each market.

44. Consequently, the implementation of a new central data repository by HKEX for the HKIDR-DM, distinct from the one used for the HKIDR-S, may provide improved adaptability and operational flexibility to the RRIs, enabling them to better customise their processes to comply with the specific requirements of the HKIDR-DM. Under the HKIDR-DM framework, the RRIs are required to submit a dedicated BCAN-CID Mapping File to HKEX, separate from the file used for the HKIDR-S.

45. Similar to the HKIDR-S, the HKIDR-DM does not preclude an RRI from assigning different BCANs to the same client for different accounts held by that client with the intermediary. For instance, a client of a bank may hold an individual securities trading account and a futures/options trading account with the retail banking arm of that bank, as well as an individual futures/options trading account with the private banking arm of the same institution. As mentioned in paragraph 30(d) above, each of these trading accounts may be assigned with the same or a distinctive BCAN. However, the same CID should be submitted for that client (in respect of each of his or her trading accounts) in compliance with the waterfall of accepted identity documents outlined in paragraph 33 above to ensure the client can be consistently identified, even when trading through different accounts held with the RRI.

Implementation of HKFE's Orion Derivatives Platform

46. The SFC recognises that HKFE is in the process of developing its proprietary Orion Derivatives Platform (**ODP**) to replace the current trading and clearing systems, with a market rollout expected in 2028. Recognizing that requiring RRIs to upgrade their systems for the implementation of the proposed regime under the current trading system, followed by subsequent adjustments for the ODP, may be neither cost-effective nor operationally practical, the SFC will align the launch of the HKIDR-DM with the rollout of the ODP, which is tentatively scheduled for the first quarter of 2028. This coordinated approach aims to minimise operational disruptions, eliminate the necessity for multiple system upgrades, and optimise the implementation of the HKIDR-DM process once the ODP becomes operational. Furthermore, it provides market participants with additional time to adequately prepare for the implementation of the HKIDR-DM.

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.**

Part 4. Specific operational details

BCANs for block trades and aggregated orders

47. BCAN tagging for Block Trade orders generally adheres to the same principles as the agency trade orders. Please refer to Appendix 2 for details. BCANs for Block Trade should be reported in one of the following ways:

   a) A Block Trade order entry by two EPs: A Block Trade negotiated between two EPs may be separately entered into the HKFE Trading System by the respective buying and selling EPs. The buy-side EP will not be able to view the sell-side client's BCAN, and vice versa. Failure to enter the BCAN by the EPs under the proposed HKIDR-DM will result in the system rejecting the order entry. HKEX will revise its rules to include requirements for BCAN entries.

   b) A Block Trade order entry by one EP: Alternatively, a Block Trade negotiated internally between accounts of an EP or negotiated between two EPs, may be entered into the HKFE Trading System by one EP. Where an EP fails to input the BCANs for either the buy-side or sell-side when submitting a block trade under the proposed HKIDR-DM, the input will be rejected.

48. In the case of an aggregated order[28], consistent with the HKIDR-S, an RRI should first assign a specific code to the aggregated order as prescribed by HKEX and tag such code to the order when it is submitted. Please refer to Appendix 2 for details. The RRI is required to submit information on each underlying order (including the relevant BCAN

[28] An aggregated order refers to an order which comprises two or more buy or sell orders of the same Futures and Options Contract placed by different clients by an RRI for an on-exchange order. As such, several orders placed by a single client will not constitute an aggregated order for the purpose of the HKIDR-DM.

for each Relevant Client) of the aggregated order to HKEX subsequently by a prescribed time. This is to ensure traceability of investors' identities within an aggregated order and avoid circumvention of the proposed regime by the use of aggregated orders.

Give-up and take-up

49. A give-up[29]/take-up[30] process at HKEX is a post-trade arrangement where executed trades are transferred from one Clearing Participant to another Clearing Participant. A Clearing Participant may transfer a trade to another Clearing Participant (referred to as the take-up Clearing Participant), provided that the take-up Clearing Participant accepts the trade. The transfer of trades between a Clearing Participant and the take-up Clearing Participant is referred to as a give-up (and its acceptance is known as a take-up). Upon completion of trade give-up/take-up process, the trade is registered in a designated account of a client at the take-up Clearing Participant.

50. The HKIDR-DM applies to the trading level for the derivatives market in Hong Kong, leaving post-trade processes such as give-up/take-up processes unaffected. An individual or an entity which opens a futures/options trading account and trades through that account should be the party to whom a BCAN is assigned by an RRI. There is no requirement to assign BCANs to the beneficial owners of an executed give-up trade.

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

Existing large open position reporting regime

51. It is important to clarify that the HKIDR-DM should not be conflated with the existing reporting regime for large open positions (**LOP**) in Futures and Options Contracts (**LOP Reporting Regime**) under the Securities and Futures (Contracts Limits and Reportable Positions) Rules (Cap. 571Y). The LOP Reporting Regime is designed to monitor and manage potential systemic risks within the derivatives market, such as concentration of positions, by identifying large positions held by market participants. In contrast, the HKIDR-DM focuses on providing information regarding investors' identities at the trading activity level.

52. Although the LOP Reporting Regime identifies investors at the beneficial ownership level, its scope is limited to reporting positions held rather than capturing trading activities at the transaction level. Furthermore, the LOP reporting obligation is triggered only when positions exceed a specified reportable threshold. Investors holding Futures and Options Contracts below this threshold are not currently identified, even in cases where they engage in significant trading activities on a trading day. Recognising these differences, the HKIDR-DM complements the LOP Reporting Regime by enabling regulators to identify investors at the trading activity level, thereby enhancing the efficiency of market surveillance.

[29] In general, give-up of a trade can be conducted via the HKFE Trading System after a trade has been matched. A trade give-up is successfully completed only if the take-up party has confirmed to take up the trade.
[30] The take-up Clearing Participant can choose to confirm or reject a give-up trade.

Part 5. Data privacy laws and consent from investors

Review of measures in place to ensure compliance

53. We have outlined the requirements for obtaining express consent from individual clients for acquiring their CIDs, along with the measures to be implemented for safeguarding the data collected by the SFC and HKEX when we implemented the HKIDR-S. RRIs are expected to apply such measures to the personal data collected and used under the proposed HKIDR-DM, while adhering to applicable privacy laws and complying with conduct requirements. The key requirements are summarized below.

54. Comparable to the HKIDR-S, since the combination of CIDs and BCANs of individual clients is likely to constitute personal data[31] under the PDPO, all RRIs should review the adequacy of their existing measures to ensure compliance with all applicable requirements under the PDPO and any other applicable data privacy laws[32] in relation to the collection, use, storage, disclosure and transfer of CIDs, BCANs and BCAN-CID Mapping Files. These include, for example, reviewing the adequacy of existing client documentation such as their personal information collection statement, and revisiting arrangements in respect of giving notifications to and obtaining consent from clients on data collection and use.

55. Under the PDPO[33], an RRI is required to take all practicable steps to notify an individual client of certain matters on or before collecting personal data, including but not limited to, the intended purpose for which data is to be used.

56. If an RRI intends to use previously collected personal data of a client for a new purpose that was not communicated at the time of collection, it is required to obtain the client's prescribed consent under the PDPO[34]. Such consent must be given expressly and voluntarily, and the client retains the right to withdraw it by providing written notice[35].

57. As the proposed HKIDR-DM is a new arrangement and likely to constitute a new purpose distinct from the purpose for the collection and handling of personal data under the HKIDR-S, 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, as the original consent may not encompass the derivatives market. RRIs should review their own internal arrangements and seek legal advice if needed.

---

[31] "Personal data" is defined under the PDPO as "any data - (a) relating directly or indirectly to a living individual; (b) from which it is practicable for the identity of the individual to be directly or indirectly ascertained; and (c) in a form in which access to or processing of the data is practicable".

[32] Apart from the PDPO, RRIs should consider if data privacy laws of other jurisdictions may be applicable where relevant (for example, depending on the client's place of residence or the RRI's place of business).

[33] Please see Data Protection Principle 1 in Schedule 1 to the PDPO.

[34] Please see Data Protection Principle 3 in Schedule 1 to the PDPO.

[35] It should be noted, however, that subsequent withdrawal of prescribed consent by the client should not affect the continued use, storage, disclosure, transfer or processing of personal data collected before the withdrawal of prescribed consent.

Written or other express consent

58. In order to ensure compliance with the PDPO and that individual clients are fully aware of the purposes for which their personal data is to be used under the HKIDR-DM, RRIs should obtain written or other express consent from the Relevant Clients for the transfer of their personal data to HKEX and the SFC under the proposed HKIDR-DM. This consent should be obtained in a form and manner that complies with the requirements of the SFC to be published by way of guidance.

59. The form of consent requires individual clients to consent to the following purposes of use for personal data submitted under the regime (including their CIDs and BCANs):

    (i) disclosure and transfer of their personal data (including CIDs and BCANs) to HKEX and/or the SFC, including but not limited to tagging the BCANs to trade orders submitted to HKEX;

    (ii) allowing HKEX to: (i) collect, store, process and use their personal data (including CIDs and BCANs) for market surveillance and monitoring purposes, and enforcement of the rules of HKEX; and (ii) disclose and transfer such information to relevant regulators and law enforcement agencies in Hong Kong (including, but not limited to, the SFC) so as to facilitate the performance of their statutory functions with respect to the Hong Kong financial markets; and (iii) use such information for conducting analysis for the purposes of market oversight; and

    (iii) allowing the SFC to: (i) collect, store, process and use their personal data (including CIDs and BCANs) for the performance of its statutory functions including monitoring, surveillance and enforcement with respect to the Hong Kong financial markets; and (ii) disclose and transfer such information to relevant regulators and law enforcement agencies in Hong Kong in accordance with applicable laws or regulatory requirements.

60. Consent is required to be obtained from both new and existing individual clients[36]. It is proposed that such consent may be obtained by written and signed acknowledgement on paper, or alternatively by electronic means (which may include, for example, by instant messaging application) or by phone, provided that the relevant requirements are satisfied (for example, in relation to authentication of the client's identity, proper recording of the message, and duration of maintenance of records which are readily accessible for compliance checking and audit purposes)[37]. Consent should be obtained prior to or at the time of collecting CID from an individual client or submitting CID for such client.

61. Under the proposed HKIDR-DM, RRIs should review their data privacy measures and seek professional advice on the appropriate procedures to be taken to ensure compliance with all applicable data privacy laws and any relevant requirements imposed by HKEX and the SFC. It is proposed that RRIs should: (a) establish

[36] There is no personal data collected from the corporate clients, therefore no express consent is required for collecting their CIDs.
[37] We expect to provide further guidance to the industry in due course on the requirements to be observed where client consent is obtained by such alternative means. We may refer to the existing requirements applicable to the placing of orders for Futures and Options Contracts by telephone recording and instant messaging applications where appropriate when we formulate such guidance.

arrangements in respect of the collection of CIDs and ensure that all required consent is obtained from both prospective and existing individual clients in respect of the collection, use, processing, storage, disclosure and transfer of personal data under the HKIDR-DM; (b) implement procedures for explaining to their clients the implications of providing such consent; (c) maintain an up-to-date record of whether the client has provided or withdrawn a consent; and (d) make the provision of consent a condition for the client's continued use of the RRIs' trading services for placing orders for Futures and Options Contracts on the HKFE Trading System.

62. If the required express consent cannot be obtained from an individual client by the RRI, the RRI shall only input an order to close out the client's existing open positions (i.e., the client may place a sell order to close his or her long positions, or a buy order to close his or her short positions). No orders to open new positions shall be permitted without obtaining the client's express consent. A specific code as prescribed by HKEX should be used when submitting an order of this kind.

Transmission of data and data protection

63. With regard to data security, the submission of CIDs by RRIs to HKEX will be conducted through HKEX's closed network safeguarded by a secure file transfer protocol. In addition, all CIDs kept in the central data repository will be encrypted using the advanced encryption technology, in line with international best practices and standards. Once the HKFE Trading System captures the trade information submitted by RRIs, the relevant order and trade information (with BCAN tagged) will be transmitted to the SFC's surveillance system via a dedicated, secure data line.

64. Under the proposed HKIDR-DM, the CIDs will be kept in a central data repository managed by HKEX under a secure and protected environment. Access to the repository will be restricted to designated staff of HKEX and the SFC with a legitimate need for market surveillance and the performance of other regulatory functions. These individuals must comply with stringent security requirements and measures. Authorisation for access will be granted by senior executives exclusively on a strict need-to-know basis, aligned with specific job responsibilities. A list of authorised persons from the SFC and HKEX who may access the data will be recorded and reviewed on a regular basis. Comprehensive audit trails will document all access activities, including unsuccessful login attempts, and any unauthorised access will be logged and subject to thorough investigation.

65. As the designated operator of the central data repository, HKEX will allocate sufficient resources, including expertise and facilities, to ensure the ongoing effectiveness of its data security measures and access controls. The relevant policies and procedures will undergo regular reviews and updates to reflect the latest technological development.

Part 6. Proposed amendments to the SFC Code of Conduct and corresponding updates to HKEX's rules

66. The SFC proposes to amend the SFC Code of Conduct as set out in Appendix 3 to implement the proposed HKIDR-DM by adding a new paragraph 5.6A, which is based on the existing paragraph 5.6 on the obligations of RRIs under the HKIDR-S, and to make corresponding changes to paragraph 5.6(b). Failure to comply with the SFC Code of Conduct may adversely affect the SFC's assessment of an RRI's fitness and properness and may result in disciplinary actions.

67. HKEX will also amend its rules to implement the HKIDR-DM in relation to EPs. Non-EP RRIs submitting BCAN-CID Mapping Files to HKEX will similarly be required to follow the rules and procedures[38] set forth in HKEX's relevant rules. Such requirements will also be reflected in the proposed amendments to the SFC Code of Conduct.

68. HKEX will publish an information paper to provide technical guidance on operational matters following the release of the conclusions to this consultation paper by the SFC. The HKEX information paper will include procedural details on the input of BCANs and CIDs into the relevant systems and the submission process to the central data repository maintained by HKEX. Frequently Asked Questions will also be published by the SFC and HKEX in the course of implementation to give further guidance to market participants.

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.**

Part 7. Implementation timeline

69. Participants in the exchange-traded derivatives market are expected to prepare for the regime's implementation by undertaking several key measures. These include operational enhancements by RRIs, obtaining individual clients' consent for the use of their personal data, and preparing CIDs for initial submission to HKEX. Additionally, HKEX will require adequate preparation time to incorporate the HKIDR-DM requirements into its proprietary ODP, which is scheduled for rollout in 2028. Furthermore, the vendors responsible for supporting HKEX and the SFC's market surveillance systems will need to upgrade relevant system functionalities to facilitate the effective implementation of the HKIDR-DM.

70. With respect to the collection of CIDs, RRIs are expected to prepare for the initial CID submission (i.e., the first batch of clients' CIDs to be submitted to HKEX) well in advance of the launch of the HKIDR-DM, so that their clients can continue trading seamlessly immediately after the regime's implementation. Considering the similarities between the proposed HKIDR-DM and the existing framework for the securities market, the proposed implementation timeline is expected to give RRIs sufficient time to complete the necessary preparations.

71. Subject to consultation feedback and the successful completion of various system tests and market rehearsals, the proposed regime is tentatively scheduled for launch by the first quarter of 2028.

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

[38] Currently, these non-EP RRIs may not have a direct relationship with HKEX and therefore would not have access to the channel or mechanism provided by HKEX to effect the submission of BCAN-CID Mapping Files for the HKIDR-DM. Under the proposed regime they may make a submission via the Designated Portal. HKEX will establish a mechanism and rules to facilitate and govern the submission of BCAN-CID Mapping Files by these non-EP RRIs.

Seeking comments

72. The SFC welcomes any comments from the public and the industry on the proposals set out in this consultation paper. Please submit your comments to the SFC in writing no later than 22 December 2025.

Appendix 1 - Summary of major markets' adoption of investor identification measures

Surveillance approach	Hong Kong (HKEX) under the proposed HKIDR-DM	Mainland China (CFFEX/others)	Australia (ASX)	Singapore (SGX)	EU / UK (Eurex/LME/ others)	U.S. (CME/CBOE/ others)
1. Order level monitoring	✓	✓	✓	✓	✓	✗
2. Transaction reporting to regulators	✗	✓	✓	✗	✓	✓

Hong Kong: While there is no transaction reporting in respect of Futures and Options Contracts to regulators, the proposed HKIDR-DM will be implemented to identify the Relevant Clients at the order level.

Mainland China: Mainland exchanges adopt a "see-through" investor account model. Order submissions for Futures and Options Contracts to the exchanges' trading systems include the investor's account number linking to a unique Yimatong (一码通) account with the China Securities Depository and Clearing Corporation for investor identification. In addition, its EPs are required to submit transaction information to Mainland China's surveillance authority.

Australia: Immediate clients of Australia's brokerage firm or EP placing orders for Futures and Options Contracts are required to be identified. For physical transactions[39] and block trades, transaction reporting is also required.

Singapore: There are order level investor identification requirements for opening a new account to trade Futures and Options Contracts, but there is no transaction level reporting unless requested by regulators.

EU and UK: In certain exchanges in the EU, immediate clients of non-house account trades in Futures and Options Contracts placed through MiFID Investment Firms[40] are required to be identified. In addition, EPs which are not MiFID Investment Firms are required to submit transaction reports to the regulatory authority in their respective jurisdictions.

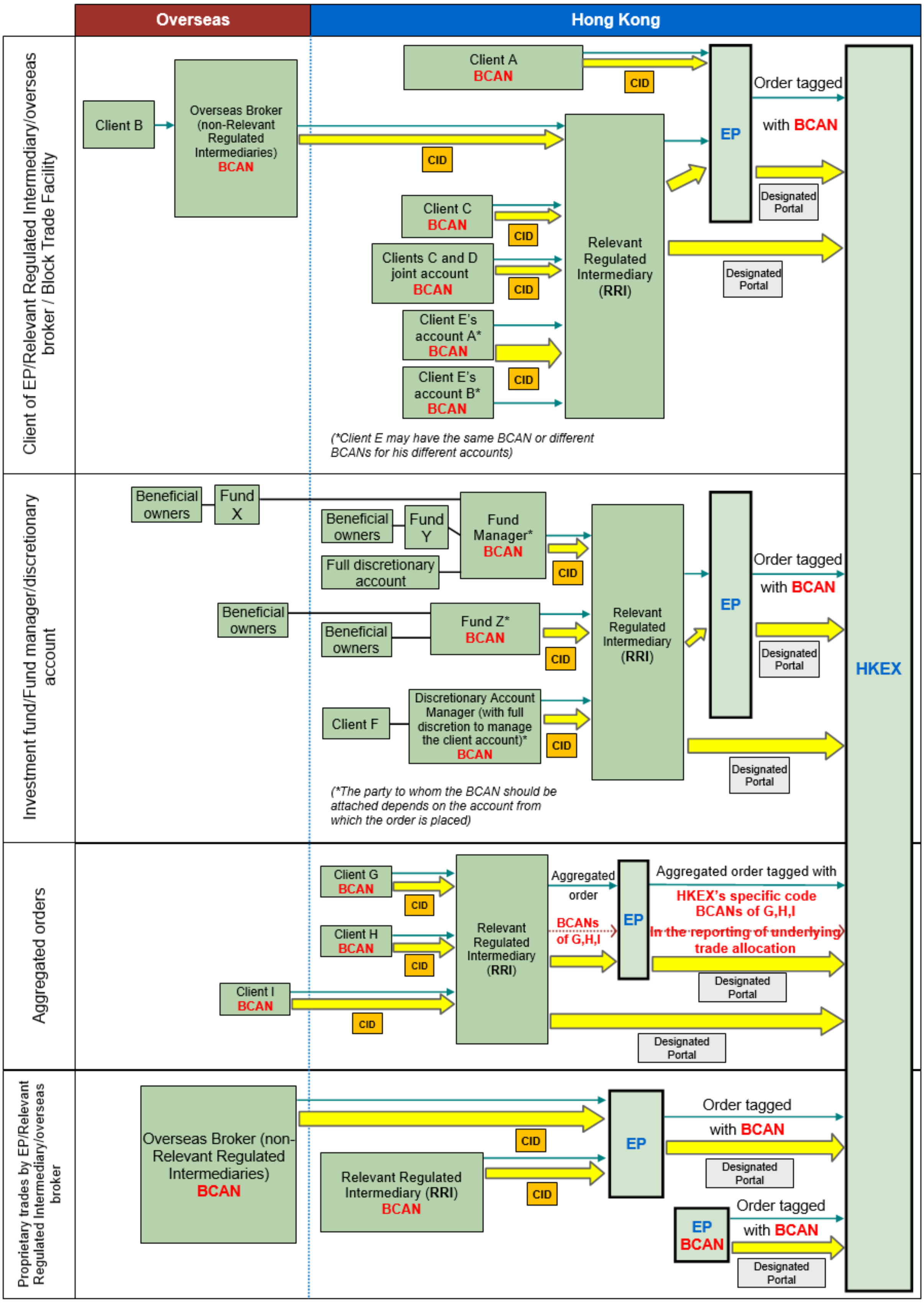
U.S.: Although there is no requirement for investor identification at the order level for Futures and Options Contracts, transaction reporting is mandatory for stock option transactions in certain exchanges in the US.

---

[39] A physical transaction refers to a trade involving a physical commodity or financial asset that is exchanged in connection with a futures contract.

[40] MiFID Investment Firms are financial entities regulated under the Markets in Financial Instruments Directive II (MiFID II) issued by the European Parliament and the Council of the EU.

Appendix 2 - 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 3 - Indicative draft of the proposed 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.

****

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.