

Markets

Investor identification

We have been preparing for the launch of the investor identification regime at the trading level for the securities market in Hong Kong. During the quarter, market rehearsals for intermediaries to assess their system readiness were successfully completed. We also conducted a third round of survey to assess intermediaries' operational readiness for the regime. The survey results indicated that significant progress was made to prepare for the regime's implementation, but some intermediaries may need more time to obtain consent from individual clients and update client identification data (CID) as required by the regime.

In December, we issued a press release and a circular to announce the regime's launch on 20 March 2023. Intermediaries began submitting Broker-to-Client Assigned Numbers¹ and CIDs to the Stock Exchange of Hong Kong Limited (SEHK) on 19 December.

OTC Derivatives

As part of a global exercise to harmonise over-the-counter (OTC) derivatives trade reporting data, we launched the enhancements to OTC derivatives reporting templates in December to prepare for the launch of the Unique Transaction Identifier², address market feedback and cater to regulatory needs.

Stock Connect

We issued a joint announcement with the China Securities Regulatory Commission on 19 December on our in-principle approval for the further expansion of eligible stocks for both northbound trading and southbound trading under Stock Connect.

Stocks eligible for northbound trading will include (i) constituent stocks of the Shanghai Stock Exchange (SSE) A Share Index and the Shenzhen Stock Exchange (SZSE) Composite Index with a market capitalisation of RMB5 billion or above which meet certain liquidity criteria, etc; and (ii) SSE/SZSE-listed stocks of companies which have issued both A shares and H shares. For southbound trading, the scope of eligible stocks will be expanded

to include stocks of foreign companies primary-listed in Hong Kong which are constituents of Hang Seng Composite Indices and meet relevant criteria³. In addition, the scope of southbound eligible stocks under Shanghai-Hong Kong Stock Connect will align with that under Shenzhen-Hong Kong Stock Connect, ie, to include constituents of the Hang Seng Composite SmallCap Index with a market capitalisation of \$5 billion or above.

The Mainland and Hong Kong exchanges and clearing houses have been preparing for the expansion to take effect approximately three months from the date of the joint announcement. The official launch date will be announced in due course.

Position limit regime

In November, we published consultation conclusions on some of the proposals discussed in our April 2022 consultation on the position limit regime, and began a further consultation on proposed changes to the regime.

We concluded to proceed with some of the proposals to better align the regime with our regulatory policies and objectives in light of recent developments in Hong Kong's derivatives market. These proposals included expanding the list of specified contracts and introducing an excess position limit regime for clearing participants.

Moreover, we further consulted the public on additional amendments related to the application of position limits and reporting requirements for funds and revisions to the position limits for some contracts, including stock futures and options. The further consultation ended in December and our conclusions will be published in due course.

SEHK's trading charges

In October, we approved HKEX's proposal to enhance the trading fee structure in the stock market. Under the new structure, which took effect from 1 January 2023, the trading tariff of \$0.50 payable on each trade was removed and the trading fee per side of the consideration of a trade was adjusted to 0.00565% from the current 0.005%.

¹ Broker-to-Client Assigned Number is an internal code assigned by brokers and banks to each of their clients. When placing a securities order, brokers and banks must input their own central entity number and their client's Broker-to-Client Assigned Number.

² The unique transaction identifier is a unique and paired code for identifying a transaction.

³ Including constituents of the Hang Seng Composite LargeCap Index and Hang Seng Composite MidCap Index as well as Hang Seng Composite SmallCap Index constituents with a market capitalisation of \$5 billion or above.

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Automated trading services

As of 31 December, the number of automated trading services (ATS) providers⁴ authorised under Part III of the

Securities and Futures Ordinance (SFO) was 51, whilst 27 corporations, including 13 dark pool operators, were licensed under Part V of the SFO to provide ATS.

ATS providers

	As at 31.12.2022	As at 31.3.2022	Change (%)	As at 31.12.2021	YoY change (%)
Under Part III	51	53	-3.8	52	-1.9
Under Part V	27	25	8	25	8

⁴ Under the SFO, two regimes regulate ATS providers. Typically, those that offer facilities similar to those of a traditional exchange or a clearing house are authorised under Part III of the SFO. Intermediaries which provide dealing services with ATS as an added facility are licensed under Part V of the SFO.