

GUIDELINES ON DISCLOSURE OF FEES AND CHARGES RELATING TO SECURITIES SERVICES

(THE “GUIDELINES”)

General

1. The Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “Code of Conduct”) sets out the standard of conduct expected of a licensed or registered person in its dealings with clients.
2. The purpose of the Guidelines is to supplement the Code of Conduct in respect of disclosure of fees and charges for securities services to clients. The Guidelines set out recommended disclosure of securities-related fees and charges under standardized categories most commonly used in the industry to enhance transparency and comparability of fees and charges between intermediaries and ease of understanding by clients.
3. The Guidelines are issued under section 399 of the Securities and Futures Ordinance (the “SFO”) (Cap. 571).
4. The Guidelines do not have the force of law and as such, will not affect any requirements under the SFO and any rules, codes and guidelines made thereunder.
5. Unless otherwise specified or the context otherwise requires, words and phrases in the Guidelines shall be interpreted by reference to any definition of such word or phrase in Part 1 of Schedule 1 to the SFO and the Code of Conduct.

Application of the Guidelines

6. The Guidelines apply to persons licensed or registered for Type 1 regulated activity (dealing in securities) and persons licensed for Type 8 regulated activity (securities margin financing), in respect of disclosure of fees and charges on services related to securities traded on the Stock Exchange of Hong Kong Limited (the “SEHK”) where appropriate.
7. Professional Investors are excluded from the application of the Guidelines.

Effective date

8. The Guidelines will become effective on 1 January 2005.

Interpretation

9. In these Guidelines, unless the context otherwise requires -

“Securities services” refers to services provided by licensed or registered persons in relation to securities traded on the SEHK.

“Category” or “Categories” refers respectively to one or more of the six headings of fees and charges relating to securities services.

“Fees and charges relating to securities services” refers to those fees and charges commonly charged on one or more of the following services:

- (a) Trade-related services;
- (b) Scrip handling and settlement-related services;
- (c) Information services;
- (d) Account maintenance;
- (e) Nominee services and corporate actions; and
- (f) Financing and other services.

“Trade-related services” refers to services in relation to execution of trades.

“Scrip handling and settlement-related services” refers to handling of physical scrip and services in relation to settlement of securities.

“Information services” refers to provision of market (including securities-related) information.

“Account maintenance” refers to maintenance of a client’s securities-related account.

“Nominee services and corporate actions” refers to services of a nominee in exercising a shareholder’s rights or collection of benefit entitlements on behalf of a client.

“Financing and other services” refers to provision of financing and other miscellaneous services.

Categorization of fees and charges

10. Where appropriate, a licensed or registered person should disclose fees and charges on securities services to clients under the following six Categories:
 - (a) Trade-related services;
 - (b) Scrip handling and settlement-related services;
 - (c) Information services;
 - (d) Account maintenance;
 - (e) Nominee services and corporate actions; and
 - (f) Financing and other services.
11. Certain common examples of fees and charges under each Category are set out at Appendix. Such examples are by no means exhaustive. Depending on its business model and existing practice, a licensed or registered person may have different composition and description of fees and charges under each Category.

Communication of fees and charges to clients

12. A licensed or registered person is expected to establish and implement procedures for effective communication of fees and charges to clients.
13. Although it is entirely the choice of a licensed or registered person to adopt the most appropriate method to disclose fees and charges promptly and effectively to clients, it is not acceptable for a licensed or registered person to merely state to its clients that all fees and charges are subject to negotiation. At the minimum, it should set out all applicable fees and charges to be charged to clients including prospective ones.
14. Where there are fees and charges which cut across different Categories, a licensed or registered person should try its best to split them under different Categories. Furthermore, if there are no fees and charges for a particular Category, a licensed or registered person should state so.
15. A licensed or registered person should disclose the basis of how fees and charges are levied. Any maximum or minimum amount charged should be clearly disclosed. Where a percentage-based fee is charged, it should state what the percentage is charged against. Furthermore, if a fee amount is computed with reference to an interest rate, the corresponding annualized percentage rate should be stated.

Examples of common items of fees and charges under each of the six Categories defined under the Guidelines

The examples shown below are for illustration only. They are not meant to be exhaustive, complete or prescriptive.

(A) Trade-related services

1. Brokerage commission
2. Transaction levy
3. Investor compensation levy
4. Trading fee
5. Trading tariff
6. Stamp duty

(B) Scrip handling and settlement-related services

1. CCASS¹ stock settlement fee
2. Money settlement fee
3. Physical scrip deposit fee
4. Physical scrip withdrawal fee
5. Deposit transaction charge
6. Settlement instruction fee
7. Investor settlement instruction fee
8. Compulsory share buy-back fee

(C) Information services

1. Real-time price quote fee
2. Short message services fee

¹ CCASS means the Central Clearing and Settlement System established and operated by the Hong Kong Securities Clearing Company Limited.

(D) Account maintenance

1. Custody fee
2. Stock balance or account confirmation fee
3. Dormant account fee
4. Stock segregated account (with CCASS statement) service fee

(E) Nominee services and corporate actions

1. Scrip fee
2. Collection fee of cash/scrip dividend
3. Collection fee of bonus issue
4. Rights issue entitlement charge
5. Fee for rights exercise
6. Fee for excess rights application
7. Fee for tendering shares under a takeover bid
8. Fee for change of registration at share registrar
9. Fee for handling share consolidation/split

(F) Financing and other services

1. Margin account financing charge²
2. Securities subscription handling charge
3. Cash account overdue interest²
4. Financing charge for subscription of securities²
5. Banking service charges
6. Fee for claiming unclaimed benefit entitlements

² Annualized percentage rates should be used.