

Updating Your Study Manual

Instructions for Inserting Version 1.5

The followings serve as the instructions for updating **Topic 4: Dealing in Securities Traded on the Stock Exchange of Hong Kong** of Study Manual 2 for the Licensing Examination for Securities and Futures Intermediaries. Please be reminded that only the updated sections are provided for downloading. You may replace the relevant sections with this updated version for the study manual you possess.

Instructions:

1. Download and print out the following pages.
 2. **Remove** pages 4-31 to 4-32 and **Insert** new pages 4-31 to 4-32.
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responsible for disciplinary matters other than those within the purview of the SFC – that is, trading offences.

Situations calling for disciplinary action

7.3 The SEHK Board and the Chief Executive may exercise their disciplinary powers if the exchange participant:

- is or has been in breach of the rules of the SEHK or clearing houses, as well as the statutory provisions in the SFO and subsidiary legislation;
- fails to report promptly to the SFC and the exchange its inability to comply with the financial resource rules and requirements;
- fails to carry out its/his obligations relating to securities;
- has been charged with or convicted of fraud or dishonesty;
- is under investigation by the SFC where an auditor is appointed to investigate its business affairs;
- is guilty of misconduct; or
- fails to contribute to the Investor Compensation Fund.

Disciplinary powers

7.4 The Board – and, in some cases, the Chief Executive of the Exchange – has the following disciplinary powers:

- to expel an exchange participant;
- to request an exchange participant to resign;
- to suspend an exchange participant from exchange participantship;
- to impose a fine on an exchange participant;
- to censure an exchange participant;
- to suspend or revoke the registration of [an authorized clerk of an exchange participant](#);
- to suspend, withdraw or revoke the right of an exchange participant's access to the exchange trading system; and
- to suspend, withdraw or revoke a market maker's permit.

Disciplinary proceedings

7.5 The disciplinary proceedings are summarized below:

- The Board may convene a meeting at any time to consider exercising its disciplinary powers against an exchange participant. If the Board is satisfied at the meeting that a prima facie case exists to call for disciplinary action against the exchange participant, the Board will request the market participant to attend a meeting to explain its/his conduct.
- If the Board considers that the case against the market participant is substantiated, it has the power to decide upon the action against the market participant (even if the exchange participant fails to attend the hearing).
- The Board is under a duty to keep the SFC informed of the disciplinary action in order that the SFC can consider the fitness and properness of the exchange participant to remain licensed. The Board is also required to notify HKSCC or SEOCH if relevant of the action taken.
- The Board has the power to suspend the exchange participant from trading during the process.
- If the disciplinary measure is taken by the Chief Executive, the exchange participant has the right to appeal to the Disciplinary Appeals Committee within **fourteen days** of notification of the Chief Executive's decision. The Disciplinary Appeals Committee has the power to consider the appeal as a fresh case.
- If an exchange participant is suspended from trading, **it** is under a duty to appoint another market participant to execute the clients' orders that **it** has received and to inform the SEHK in writing of the appointment.
- If an exchange participant is expelled from the exchange, it/he loses all rights to trade on the exchange.

8 Transaction costs

8.1 The following are costs *to an investor* for buying and selling securities on the SEHK.

Commission (brokerage)

8.2 Commission is freely negotiable between the exchange participant and the client transferable.