

# CompliancePlus Consulting

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## Application for Participantship and Trading Right in Hong Kong (information as of April 2016)

Hong Kong Exchanges and Clearing Limited (“HKEx”) is the holding company of The Stock Exchange of Hong Kong Limited (“SEHK”), Hong Kong Futures Exchange Limited (“HKFE”), Hong Kong Securities Clearing Company Limited (“HKSCC”), HKFE Clearing Corporation Limited (“HKCC”) and The SEHK Options Clearing House Limited (“SEOCH”).

Any broker-dealer that intends to operate a brokerage business for products available on HKEx, using the trading facilities of the Stock Exchange and/or Futures Exchange, must be admitted and registered as an Exchange Participant of that Exchange.

### Trading Rights

To fulfill the Participantship requirement, all Exchange Participants (“EP”s) are required to hold at least one Trading Right of the respective Exchanges, i.e. a Stock Exchange Participant must hold a Stock Exchange Trading Right (“SETR”) whereas a Futures Exchange Participant must hold a Futures Exchange Trading Right (“FETR”). All new Trading Rights are issued by the SEHK and HKFE.

- SETR - Participantship
  - Participantship of the Stock Exchange of Hong Kong Limited (“SEHK”) and Hong Kong Securities Clearing Company Limited (“HKSCC”)
  - Options Exchange Participantship of SEHK and Clearing Participantship of the SEHK Options Clearing House Limited (“SEOCH”)
  
- FETR - Participantship
  - Participantship of Hong Kong Futures Exchange Limited (“HKFE”) and HKFE Clearing Corporation Limited (“HKCC”)

### Application Procedure

1. Prior to applying to become an Exchange Participant, any broker-dealers intending to offer brokerage for securities products (including stock options) or derivatives products available on HKEx has to be licensed by the Securities and Futures Commission (“SFC”) as a Licensed Corporation, enabling it to carry out Type 1 (dealing in securities) or Type 2 (dealing in futures contracts) Regulated Activities. Please refer to the SFC website at [www.sfc.hk](http://www.sfc.hk) for details.
2. Submission of completed application forms to HKEx and please refer to the HKEx website at the link below for further information:-

[https://www.hkex.com.hk/eng/market/hkex\\_part/criteria/partapp/table\\_form\\_1.htm](https://www.hkex.com.hk/eng/market/hkex_part/criteria/partapp/table_form_1.htm)

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Together with:-

- i) certified true copy of the latest Financial Return submitted to the SFC (applicable to Licensed Corporation) or HKEx Form 1E (Financial Statement) together with the latest management accounts which should be made up to a date within one month from the date of application;
  - ii) an Operation and Risk Control Plan – applicable to Direct Clearing Participant and General Clearing Participant;
  - iii) other required documents such as group structure chart, certified true copy of the SFC licence certificate, specific Participants Agreement subject to the type of Trading Right of the respective Exchanges, etc.
3. Applicable deposits and payment, or contribution to the reserve fund by crossed cheque made payable to “Hong Kong Exchanges and Clearing Limited”.
  4. Trading infrastructure set-up including selection of the market access type, hardware order, system tests, etc, needs to be in place for the Application.
  5. Clearing arrangement to obtain clearing facilities by either (i) becoming a clearing participant of the respective clearing house or (ii) maintaining an approved clearing arrangement with a General Clearing Participant.
  6. Trading can only commence after the relevant Participants Agreement and completion of the set-up of trading and clearing arrangement.

Please note that, in processing the Applications, HKEx may ask questions and details about the operation and risk control details to ensure compliance with related requirements.

## CompliancePlus

CompliancePlus is an independent consulting firm focused on providing a complete range of proven and reliable compliance solutions to fund management companies and hedge fund managers in Asia. Our dedicated team of compliance officers has years of professional experience equipped with in-depth knowledge of both functional and compliance experience in managing and minimizing regulatory, operational and reputational risks.

We have been providing real time compliance support and proactive recommendations to start-up hedge funds, fund of hedge funds and multi-strategies hedge funds with our solid compliance knowledge.

By partnering with CompliancePlus, our clients gain access to compliance solutions that they can trust and the latest knowledge of regulatory policies and procedures. Through building up strong relationships with our clients and by ensuring our availability to them, we are trusted advisors helping clients to navigate a challenging and changing regulatory environment.

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