

L.N. 130 of 2019

**Securities and Futures (Investor Compensation—
Claims) (Amendment) Rules 2019**

(Made by the Securities and Futures Commission under section 244(2) of the Securities and Futures Ordinance (Cap. 571) after consultation with the Financial Secretary)

1. Commencement

These Rules come into operation on 1 January 2020.

2. Securities and Futures (Investor Compensation—Claims) Rules amended

The Securities and Futures (Investor Compensation—Claims) Rules (Cap. 571 sub. leg. T) are amended as set out in sections 3 to 6.

3. Section 2 amended (interpretation)

(1) Section 2—

Repeal the definition of *associated person*

Substitute

“*associated person* (相聯者) has the meaning given by section 236(2) of the Ordinance;”.

(2) Section 2—

Repeal the definition of *related assets*

Substitute

“*related assets* (有連繫資產) means money and other property that relate to the—

(a) purchase;

- (b) sale;
 - (c) holding;
 - (d) pledge;
 - (e) adjustment;
 - (f) exercise; or
 - (g) expiry,
- of specified securities or futures contracts;”.

(3) Section 2—

Repeal the definition of *specified person*

Substitute

“*specified person* (指明人士) has the meaning given by section 236(2) of the Ordinance;

Note—

See also section 2A.”.

(4) Section 2—

Repeal the definition of *specified securities or futures contracts*

Substitute

“*specified securities or futures contracts* (指明證券或期貨合約) has the meaning given by section 236(2) of the Ordinance;

Note—

See also section 2B.”.

(5) Section 2—

Add in alphabetical order

“*northbound link* (北向通), in relation to a Stock Connect arrangement, means the facilities provided or

arranged by the Stock Exchange Company under the arrangement—

- (a) for routing orders for the sale or purchase of securities for execution on the relevant Stock Connect market; and
- (b) for handling matters relating to those securities;

Stock Connect arrangement (互聯互通安排) means the arrangement between the Stock Exchange Company and the operator of a Stock Connect market that facilitates mutual market access through facilities for routing orders for the sale or purchase of securities and for handling matters relating to those securities;

Stock Connect market (互聯互通市場) means a stock market operated by the Shanghai Stock Exchange or the Shenzhen Stock Exchange;

Stock Connect securities (互聯互通證券) means any securities—

- (a) that are listed or traded or to be listed or traded on a Stock Connect market; and
- (b) in respect of which an order for sale or purchase is permitted to be routed through the northbound link of a Stock Connect arrangement under the rules of the Stock Exchange Company;”.

4. Sections 2A and 2B added

Part 1, after section 2—

Add

“2A. Prescription of persons for definition of *specified person*

An authorized financial institution that provides securities margin financing is prescribed for the purposes of paragraph (c) of the definition of *specified person* in section 236(2) of the Ordinance.

2B. Prescription of markets for definition of *specified securities or futures contracts*

A Stock Connect market is prescribed for the purposes of paragraph (b) of the definition of *specified securities or futures contracts* in section 236(2) of the Ordinance, but only to the extent that the market relates to Stock Connect securities.”.

5. Section 4 amended (making a claim for compensation)

Section 4—

Repeal subsection (1)**Substitute**

“(1) Subject to subsections (1AA) and (1A), if—

- (a) a qualifying client of a specified person sustains a loss, as a result of a default committed on or after the appointed day by—
 - (i) the specified person; or
 - (ii) an associated person of the specified person,

in relation to any specified securities or futures contracts or related assets;

- (b) the specified securities or futures contracts or related assets are entrusted to or received by the specified person or the associated person; and

(c) the qualifying client is entitled to, or has a beneficial interest in, the specified securities or futures contracts or related assets,

the qualifying client may claim compensation from the compensation fund in respect of the loss.

(1AA) In relation to Stock Connect securities or related assets that relate to Stock Connect securities, a qualifying client must not claim compensation from the compensation fund unless the securities were or were to be—

(a) purchased; or

(b) otherwise acquired,

through the northbound link of a Stock Connect arrangement.”.

6. Section 7 amended (determination by Commission)

Section 7(3)(a)(ii)—

Repeal

“any specified securities, futures contracts”

Substitute

“any specified securities or futures contracts”.

Ashley ALDER
Chief Executive Officer,
Securities and Futures Commission

30 September 2019

Explanatory Note

Section 236 of the Securities and Futures Ordinance (Cap. 571) established the Investor Compensation Fund (*ICF*). The Securities and Futures (Investor Compensation—Claims) Rules (Cap. 571 sub. leg. T) (*Claims Rules*), among other things, set out the circumstances in which a person is entitled to claim compensation, including the types of securities in relation to which a qualifying client of a specified person who has sustained a loss as a result of a default committed by the specified person (or an associated person of the specified person) may claim compensation from the ICF in respect of the loss.

2. Under the mutual market access arrangements between The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange (*SSE*) or the Shenzhen Stock Exchange (*SZE*), certain securities may be traded on markets operated by the SSE or SZE through certain Hong Kong intermediaries. These Rules amend the Claims Rules to expand the types of securities in respect of which a loss may be compensated to cover securities traded under the northbound links of the arrangements commonly known as Stock Connect.
3. Section 6 amends section 7(3)(a)(ii) of the Claims Rules to correct a typographical error.