SFC End-To-End Tests for Hong Kong Investor Identity Regime

On 31 March 2022, the Securities and Futures Commission of Hong Kong (**SFC**) issued a circular regarding the mandatory end-to-end (**E2E**) test for systems for the Hong Kong Investor Identification Regime (**HKIDR**). The circular provides a summary of the preparation work necessary for implementing the mandatory E2E test which licensed and registered intermediaries must complete between mid-May and June 2022. The circular sets out information on how to download the HKIDR File Transfer Connectivity Guide and relevant E2E test package published by the Stock Exchange of Hong Kong (**HKEX**) in order to get ready for the mandatory E2E Test.

As outlined in the SFC's circular of 18 March 2022, the E2E Test will cover:

- the submission of the BCAN-CID Mapping File and Reporting Forms to the HKEX's data repository; and

- the test on BCAN tagging for order submission to the HKEX trading system, which will apply only to intermediaries who are Exchange Participants.

The Hong Kong Investor Identification Regime

The SFC published its decision to proceed with the implementation of a Hong Kong Investor Identification Regime for Hong Kong's securities market at the trading level and an over-the-counter securities transaction reporting regime (**OTCR**) for shares listed on the HKEX in its consultation conclusions issued on 10 August 2021.

Under the HKIDR, licensed corporations and registered institutions will need to

- assign a unique identification code - "Broker-to-Client Assigned Number" (**BCAN**) to clients placing securities orders on the HKEX (other than for odd lots traded on the HKEX's odd lot/special lot market) or conducting off-exchange trades reportable to the HKEX under its rules;

- submit to HKEX's data repository up-to-date client identification data (**CID**) (i.e. names and identity document information) along with the client's BCAN (by putting the BCAN and CID into a "BCAN-CID Mapping File");

- include clients' BCAN in the order information for each on-exchange and off-exchange order and in the reports of off-exchange trades to the HKEX, and report any BCAN error of a matched and executed trade as soon as possible to HKEX by submitting a prescribed error notification form; and

- adopt relevant data privacy and security measures to safeguard the data collected, transmitted and stored, and obtain express consent from clients for the collection and handling of their personal data in compliance with data privacy laws.

For more information about the HKIDR, please see Charltons' newsletter on the conclusion of the SFC's consultation on proposals to introduce a Hong Kong investor identification regime and OTC securities transactions reporting regime, which is available here.

HKIDR End-To-End Test

The HKEX published three documents to help SFC-licensed corporations and registered institutions subject to the HKIDR[1] to prepare for the mandatory E2E Test. The E2E Test Package for Exchange Participants (the download procedure for which is available here), contains the testing guidelines, details of two new features of HKEX's Orion Central gateway – Securities Market that will be implemented with the HKIDR, and other relevant information. A separate E2E Test Package has been prepared for intermediaries which are not Exchange Participants containing the testing guidelines and relevant information and is available at the HKIDR web corner. The HKIDR File Transfer Connectivity Guide is a technical guide for HKIDR interface files exchange through the HKEX's electronic communication platform covering both the platform's web interface and the platform's interface.

The exact test period for the E2E Test will be announced in mid-April 2022. Responsible Officers of relevant licensed corporations and Executive Officers of relevant registered institutions will need to apply for a test account via the SFC's WINGS platform in order to participate in the mandatory E2E Test for submitting the BCAN-CID Mapping File and Reporting Forms to HKEX's data repository. Details for this will also be announced in mid-April 2022.

The HKEX will publish five templates of the Reporting Forms in mid-April 2022 to facilitate the E2E Test. A template for the BCAN-CID Mapping File will not be provided and intermediaries should refer to Section 2 of the HKEX's File Interface Specifications when preparing the BCAN-CID Mapping File.

During the E2E Test, intermediaries can submit the BCAN-CID Mapping File and Reporting Forms to HKEX's data repository via the HKEX's Electronic Communication Platform web interface and/or the Electronic Communication Platform SFTP (Secure file transfer protocol) interface. Non-Exchange Participant intermediaries who intend to leverage on the Electronic Communication Platform (SFTP) interface should install HKEX's Securities and Derivatives Network (SDNet/2) testing line before the start of the E2E Test.

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[1] Specifically, SFC-licensed corporations and registered institutions subject to the HKIDR pursuant to the proposed paragraph 5.6 of the SFC's Code of Conduct for Persons Licensed by or Registered with the SFC

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