

Welcome to the newsletter for the Shanghai-Hong Kong Stock Connect programme for northbound investors. Here you can find important developments of the programme, trading calendars and the market education programmes we held.

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Shanghai-Hong Kong Stock Connect Successfully Launched on November 17

Launch Ceremony

Hong Kong Exchanges and Clearing Limited (HKEx) hosted a launch ceremony at its Exhibition Hall on 17 November 2014 to celebrate the official launch of Shanghai-Hong Kong Stock Connect with about 500 guests and journalists.

Click [here](#) for details.



(From left to right): Head of CSDC Hong Kong Subsidiary Preparatory Task Force Yao Meng, Executive Vice President of the Shanghai Stock Exchange Xu Ming, Chief Executive of HKEx Charles Li, Chairman of the Securities and Futures Commission Carlson Tong, Deputy Director of the Liaison Office of the Central People's Government in HKSAR Qiu Hong, Chairman of HKEx C K Chow, Chief Executive of the HKSAR C Y Leung, Acting Financial Secretary Professor K C Chan, Vice Chairman of the China Securities Regulatory Commission Liu Xinhua, Chief Executive of the Hong Kong Monetary Authority Norman Chan, General Manager of the Shenzhen Stock Exchange Song Liping, and the Deputy CEO of the Securities and Futures Commission Alexa Lam.



Chief Executive of the HKSAR C Y Leung



HKEx Chairman C K Chow



HKEx Chief Executive Charles Li

Taxation

(Updated 14 November 2014)

1. Are Hong Kong and overseas investors required to pay taxes on cash dividend and/or bonus shares of SSE Securities?

- Hong Kong and overseas investors are **required to pay** tax on cash dividend and/or bonus shares of SSE Securities at a **standard rate of 10%**, which **will be withheld and paid to the relevant tax authority by the respective listed companies**.
- For those investors whose residing country has entered into a **tax treaty with China** which allows them enjoying a lower dividend tax rate, the investors may apply to the tax authority for a **refund of the differences**.

2. Are Hong Kong and overseas investors required to pay capital gains tax or business tax when they trade SSE Securities?

- Hong Kong and overseas investors are **exempted from paying both capital gains tax and business tax**, when they trade SSE Securities via Shanghai-Hong Kong Stock Connect.

3. Are Hong Kong and overseas investors required to pay stamp duty on their transactions in SSE Securities?

- Hong Kong and overseas investors are **required to pay stamp duty** arising from the sale and purchase of SSE Securities and the transfer of SSE Securities by way of succession and gift in accordance with existing Mainland taxation regulations.

Quota

(Updated 14 October 2014)

1. How does the Quota work?

- RMB 300 Billion - Northbound Aggregate Quota :**
Aggregate Quota balance = Aggregate Quota - aggregate buy trades + aggregate sell trades (calculated at the weighted average cost)
- RMB 13 Billion - Northbound Daily Quota :**
Daily Quota Balance = Daily Quota - Buy Orders + Sell Trades + Adjustments

2. Are there any measures in place to prevent quota hogging?

- A shares traded on the SSE are subject to price limit based on their previous closing price, including a **±10% price limit** for stocks under normal circumstances.
- SEHK intends to set the **dynamic price checking at 3%** during the initial phase of Shanghai-Hong Kong Stock Connect. The percentage may be adjusted from time to time subject to market conditions.

Margin trading, Short-selling & Stock Borrowing and Lending

(Updated 14 October 2014)

1. Is margin trading allowed for SSE Securities?

- Subject to conditions, margin trading in SSE Securities may be conducted. For details, please refer to "[FAQ for Investors](#)" Question # 21.

2. Is Stock Borrowing and Lending (SBL) allowed for SSE Securities?

- SBL of SSE Securities will be allowed in the following situations:
 - For covered short selling: an investor borrows SSE Securities and sells it on SSE through a China Connect Exchange Participant or a Trade-Through Exchange Participant via Northbound trading; and
 - For meeting the pre-trade checking requirement in certain circumstances (such as where a China Connect Exchange Participant's client is unable to affect a transfer of shares to the China Connect Exchange Participant's clearing account in time to meet the pre-trade checking requirement).
- There will be certain restrictions on which stocks can be the subject of SBL and who can participate in SBL.
 - SBL agreements for covered short selling purpose cannot be longer than one month;
 - SBL agreements for pre-trade checking purpose cannot be longer than one day (roll-over not allowed);
 - Stock lending will be restricted to certain types of persons to be determined by SSE; and
 - SBL activities will be required to be reported to SEHK.

3. Is short selling of SSE Securities allowed through Northbound trading?

- Will be allowed subject to a number of requirements set by SSE. For details, please refer to "[FAQ for Investors](#)" Question # 26.

Rights Issue / A Shares Ownership

(Updated 26 September 2014)

1. Can Hong Kong and overseas investors participate in rights issue subscription of SSE-listed companies through CCASS Participants?

- Yes. For details, please refer to [“FAQ for Market Participants”](#) Question 2.30.

2. What is HKSCC’s role and who are the beneficial owner of the SSE securities?

- **HKSCC is the “nominee holder”** of the SSE Securities acquired by Hong Kong and overseas investors through Shanghai-Hong Kong Stock Connect.
- The CSRC Stock Connect Rules, as departmental regulations having legal effect in Mainland China, expressly provide for the concept of a “nominee holder”.
- While HKSCC is the “nominee holder”, it holds the SSE Securities on behalf of Hong Kong and overseas investors who are the beneficial owners of the SSE Securities.

3. Who is obligated to make any disclosure in respect of SSE Securities acquired by Hong Kong and overseas investors?

- Hong Kong and overseas investors who trade SSE Securities through Shanghai-Hong Kong Stock Connect shall comply with their reporting and disclosure obligations in accordance with applicable laws upon their triggering any relevant disclosure requirements.
- The disclosure obligation in respect of changes to the interest in SSE Securities does not apply to HKSCC in its capacity as the nominee holder of SSE Securities holding on behalf of Hong Kong and overseas investors.

4. How can Hong Kong and overseas investors exercise their voting right with respect to their SSE Securities through HKSCC?

- HKSCC will advise CCASS Participants of all general meeting details such as meeting date, time and the number of resolutions. CCASS Participants who have relevant holdings in their stock account as at the record date can vote via CCASS’s existing voting functions. However, if CCASS Participants wish to cast “Abstain” and/or cumulative votes (if applicable), they are required to submit written instructions to HKSCC. HKSCC will consolidate the voting instructions from CCASS Participants and endeavor to submit a combined single voting instruction (with “For” and/or “Against” votes together with “Abstain” and/or cumulative votes if applicable) to the relevant SSE-listed issuer via the designated on-line voting platform.

Error Trade

(Updated 26 September 2014)

What is the Error Trade handling procedures?

- Exchange Participants who perform non-trade transfers of SSE Securities to rectify error trades will be required to submit to SEHK an error trade report together with supporting documents explaining the error made and providing details of the non-trade transfer.
- SEHK has the power to disallow a particular Exchange Participant to conduct further non-trade transfers for error trade rectification if SEHK believes that the Exchange Participant has abused such rectification arrangements.

For more details, please refer to [“FAQ for Investors”](#) and [“FAQ for Market Participants”](#)

97 China Connect Exchange Participants, 53 Trade-through Exchange Participants and 96 Clearing Participants Are Eligible to Participate in Trading Activities

Please refer to Appendix – List of China Connect Exchange Participants (Page 6) / List of Trade-through Exchange Participants (Page 7)

Operational Readiness - 2 Successful Market Rehearsals and Pre-Launch Test Completed

November/December Trading Calendar

November 2014							December 2014						
Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun
					1	2	■ 1	■ 2	■ 3	■ 4	■ 5	6	7
3	4	5	6	7	8	9	■ 8	■ 9	■ 10	■ 11	■ 12	13	14
10	11	12	13	14	15	16	■ 15	■ 16	■ 17	■ 18	■ 19	20	21
17	■ 18	■ 19	■ 20	■ 21	22	23	■ 22	■ 23	■ 24	★ 25	★ 26	27	28
■ 24	■ 25	■ 26	■ 27	■ 28	29	30	■ 29	■ 30	■ 31				

Launch Day of Shanghai-Hong Kong Stock Connect
 Two-way (Northbound & Southbound) Trading
 Hong Kong Public Holiday (Market Close for Northbound & Southbound Trading)
 Southbound Half Day Only
 Northbound Trading Only

Source: SSE click [here](#) (Chinese version only), HKEx click [here](#)

Strong Market Response to Investor Education

Exchange Participants

- 65 education seminars with 39 exchange participants

Professional and Industry Associations*

- 20 education seminars with 14 professional and industry associations:
 - Alternative Investment Management Association (AIMA)
 - Asia Securities Industry & Financial Markets Association (ASIFMA)
 - Hong Kong Institute of Certified Public Accountants (HKICPA)
 - Hong Kong Investment Funds Association (HKIFA)
 - Hong Kong Investor Education Centre (HKIEC)
 - Hong Kong Securities and Futures Professional Association (HK S&F PA)
 - Hong Kong Securities Association (HKSA)
 - Hong Kong Securities Professionals Association (HKSPA)
 - Institute of Securities Dealers (ISD)
 - Managed Funds Association (MFA)
 - The Hong Kong Foreign Financial Institutions Association (HKFFIA)
 - The Hong Kong Institute of Financial Analysts and Professional Commentators (IFAPC)
 - The Irish Funds Industry Association (IFIA)
 - Treasury Market Association (TMA)

System Vendors

- 5 education seminars with 4 system vendors:
 - Bloomberg
 - KVH
 - NASDAQ OMX (Smart System)
 - Thomson Reuters

*Education events in Hong Kong

Mainland

- ~100 conferences/workshops in Mainland
- ~12,500 investors, mainly institutional and high net worth individuals
- Partners: CSRC, SSE, Securities Association of China

Hong Kong

- ~140 seminars
- ~14,000 investors, including retail, institutional, sales executives
- Partners: local brokers, HK Investor Education Centre, industry associations

International Roadshow

- Joint international roadshow with SSE
 - 11 cities across US, Canada, UK, Europe and Middle East
- Other regions reached by HKEx: Japan, Taiwan, Korea, Singapore and Australia
- ~1,500 institutional investors (covering 300+ firms)



Charles Li Direct



“The beginning of a long journey”
(15 November 2014)

To read / listen to the full article please go to this [link](#)

Launch Day Trading Statistics

[Market highlights](#) of the first trading day
(17 November 2014)

Daily Quota / Turnover / No. of Orders / No. of Trades / Top 5 Most Actively Traded Stocks

For more information on Shanghai-Hong Kong Stock Connect

Visit: www.hkex.com.hk/chinaconnect
Email: info@hkex.com.hk

Disclaimer

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List of China Connect Exchange Participants

ABCI Securities Company Limited	GF Securities (Hong Kong) Brokerage Limited	Noble Securities Company Limited
Bali Securities Co. Limited	Goldman Sachs (Asia) Securities Limited	OCBC Wing Hang Shares Brokerage Co. Limited
Barclays Capital Asia Limited	Guangdong Securities Limited	Optiver Trading Hong Kong Limited
BNP Paribas Securities (Asia) Limited	Guodu Securities (Hong Kong) Limited	Orient Securities (Hong Kong) Limited
BOCI Securities Limited	Guosen Securities (HK) Brokerage Company, Limited	Phillip Securities (Hong Kong) Limited
BOCOM International Securities Limited	Guotai Junan Securities (Hong Kong) Limited	Po Sang Futures Limited
Bright Smart Securities International (H.K.) Limited	Guoyuan Securities Brokerage (Hong Kong) Limited	President Securities (Hong Kong) Limited
CGB International Securities Limited	Haitong International Securities Company Limited	Prudential Brokerage Limited
Changjiang Securities Brokerage (HK) Limited	Hang Seng Securities Limited	Qilu International Securities Limited
Chief Securities Limited	Hani Securities (HK) Limited	Quam Securities Company Limited
China Everbright Securities (HK) Limited	Hong Kong International Securities Limited	Realink Financial Trade Limited
China Galaxy International Securities (Hong Kong) Co., Limited	HSBC Broking Securities (Hong Kong) Limited	RHB OSK Securities Hong Kong Limited
China International Capital Corporation Hong Kong Securities Limited	HSBC Securities Brokers (Asia) Limited	SG Securities (HK) Limited
China Merchants Securities (HK) Co., Limited	Huatai Financial Holdings (Hong Kong) Limited	Shacom Securities Limited
China Securities (International) Brokerage Company Limited	I-Access Investors Limited	Shenyin Wanguo Securities (H.K.) Limited
Chong Hing Securities Limited	ICBC International Securities Limited	Sino Grade Securities Limited
Christfund Securities Limited	Industrial Securities (Hong Kong) Brokerage Limited	SinoPac Securities (Asia) Limited
CIMB Securities Limited	Instinet Pacific Limited	South China Securities Limited
CITIC Securities Brokerage (HK) Limited	J.P. Morgan Broking (Hong Kong) Limited	Standard Chartered Securities (Hong Kong) Limited
Citigroup Global Markets Asia Limited	JTI Securities Limited	Sun Hung Kai Investment Services Limited
CLSA Limited	KGI Securities (Hong Kong) Limited	Susquehanna Hong Kong Limited
CMB International Securities Limited	Kim Eng Securities (Hong Kong) Limited	Taifair Securities Limited
CNI Securities Group Limited	Kingston Securities Limited	Timber Hill Securities Hong Kong Limited
Credit Suisse Securities (Hong Kong) Limited	Kuentai Securities (Kam Ngan) Company Limited	Toyo Securities Asia Limited
CSC Securities (HK) Limited	Luk Fook Securities (HK) Limited	Tung Shing Securities (Brokers) Limited
Dah Sing Securities Limited	Macquarie Capital Securities Limited	Tung Tai Securities Company Limited
DBS Vickers (Hong Kong) Limited	Malahon Securities Limited	UBS Securities Hong Kong Limited
Deutsche Securities Asia Limited	Masterlink Securities (Hong Kong) Corporation Limited	UOB Kay Hian (Hong Kong) Limited
Emperor Securities Limited	Mega Securities (Hong Kong) Company Limited	Victory Securities Company Limited
Essence International Securities (Hong Kong) Limited	Merrill Lynch Far East Limited	Yuanta Securities (Hong Kong) Company Limited
Ever-Long Securities Company Limited	Morgan Stanley Hong Kong Securities Limited	Yue Xiu Securities Company Limited
First Shanghai Securities Limited	Nanhua Securities (Hong Kong) Company Limited	Total: 97 China Connect Exchange Participants (as of 14 November 2014)
Fulbright Securities Limited	National Resources Securities Limited	

The list has been published: click [here](#)

List of Trade-through Exchange Participants

Asia-Pac Securities Limited	Head & Shoulders Securities Limited	Prominence Financials Limited
Audrey Chow Securities Limited	GuocoCapital Limited	SPS Securities Limited
BMI Securities Limited	Hing Wai Allied Securities Limited	Grand Investment (Securities) Limited
Boom.com Limited	iSTAR International Securities Co. Limited	Stockwell Securities Limited
Business Securities Limited	Japan Asia Securities Limited	Success Securities Limited
Capitec Securities Limited	Jimei Securities Limited	Tai Tak Securities (Asia) Limited
China System Securities Limited	JS Cresvale Securities International Limited	Taiwan Concord Capital Securities (Hong Kong) Limited
China Yinsheng Securities Limited	Ko's Brother Securities Company Limited	Tanrich Securities Company Limited
Core Pacific-Yamaichi Securities (H.K.) Limited	Kaiser Securities Limited	Treasure Securities Limited
Delta Asia Securities Limited	Lei Shing Hong Securities Limited	VC Brokerage Limited
East Asia Securities Company Limited	Lippo Securities Limited	Win Wong Securities Limited
First Worldsec Securities Limited	Mirae Asset Securities (HK) Limited	Wing Fung Securities Limited
FP Sino-Rich Securities & Futures Limited	M Y Securities Limited	Wing Lung Securities Limited
Fubon Securities (Hong Kong) Limited	Pacific Foundation Securities Limited	Wintech Securities Limited
Geminis Securities Limited	Oriental Patron Securities Limited	Wo Fung Securities Company Limited
Genting Securities Limited	Partners Capital Securities Limited	Wocom Securities Limited
GLS Securities Limited	Ping An of China Securities (Hong Kong) Company Limited	Yicko Securities Limited
GT Capital Limited	Sheng Yuan Securities Limited	Total: 53 Trade-through Exchange Participants (as of 21 November 2014)

The list has been published: click [here](#)