

# Shanghai-Hong Kong Stock Connect

## Business Model Updates

Briefing to Participants  
July 2014



**The implementation of Shanghai-Hong Kong Stock Connect is subject to conditions, including regulatory approvals, completion of all necessary development work and market readiness.**

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**1** Trading

**2** Clearing and Settlement

**3** Risk Management

**4** Tentative Testing Schedule

**1** Trading

2 Clearing and Settlement

3 Risk Management

4 Tentative Testing Schedule

# Eligible Securities Further Updates



Scenario of A+H Shares	Northbound	Southbound
Corresponding A share on Risk Alert board (at launch)	–	H share excluded from Southbound trading
Corresponding A share on Risk Alert board (subsequent to launch)	–	Mainland investors can only sell the H share
Only H share is suspended for trading	Hong Kong and overseas investors can continue to buy and sell the corresponding A share	–
Only A share is suspended for trading	–	SSE will decide if Mainland investors can continue to buy/sell the corresponding H share

Investors will find the Eligible Stock List on HKEx's website

**Information include:**

- SSE stock code (6 digits)
- CCASS stock code (5 digits)
- Face value of the stock
- Whether it is for buy+sell or sell-only

Hyperlink to SSE's website

\* Please refer to Appendix 1 for further details

# Quota

## Dissemination of Quota Balance



	Northbound Trading of SSE Securities	Southbound Trading of SEHK Securities
Aggregate Quota (AQ)	RMB 300b	RMB 250b
Daily Quota (DQ)	RMB 13b	RMB 10.5b

### Daily Quota Dissemination Channels

- Northbound:
  - HKEx website (at 1-min interval)
  - CC OG (at 5-second interval)
  - OMD Index Feed (at 5-second interval)
- Southbound:
  - Hyperlink to SSE website

# Northbound Trading Hours

## Half-day Trading and Severe Weather Conditions



### Half Day Trading in Hong Kong

Initially, Hong Kong and overseas investors will only be allowed to trade SSE Securities on days when 1) both SEHK and SSE are open for business; and 2) banking services of both markets are open on the corresponding money settlement days

Subject to the above,

- If a trading day is a half trading day in Hong Kong market, Northbound Trading will continue until SSE market close

### Typhoon No 8 Announced After SSE Market Opens (i.e. after 9:15 am)

- Trading will continue for 15 minutes; during which, order input and cancellation are allowed (same arrangement as HK market)
- After 15 minutes, only order cancellation is allowed
- CSC will continue to open until SSE market close to allow sufficient time for EPs to cancel outstanding orders remaining in SSE's trading system
- Preliminary trade files (retrieved through Electronic Communication Platform "ECP") will be generated multiple times before market close so that EPs who have completed all order cancellations can use the trade files to continue their reconciliation
- HKEx will make broadcast message (via HKEx website) to provide alerts/warning to EPs on the arrangement when a typhoon is approaching
- EPs are encouraged to make pre-arrangement with their clients to allow them to cancel clients' orders in this situation and conduct order cancellation as soon as possible

# Shareholding Restrictions and Disclosure Obligations on A Shares (per existing PRC Rules)



## Foreign Shareholding Restrictions

- Aggregate foreign investors' shareholding in an A share must  $\leq 30\%$  of the total issued shares
  - When Aggregate Foreign Shareholding reaches 26%, SSE will publish notice
  - When Aggregate Foreign Shareholding exceeds 30%, SSE will send notices to the foreign investors concerned for them to sell the shares on a last-in-first-out basis within five days
  - Foreign investors: QFII, RQFII for now; will include investors trading A shares through Shanghai-Hong Kong Stock Connect
  - After implementation of Shanghai-Hong Kong Stock Connect, when Aggregate Foreign Shareholding reaches 28%, HKEx will stop accepting further buy orders on that A share, until shareholding lowers to 26%
  - If Aggregate Foreign Shareholding exceeds 30%, and the excess is due to Shanghai-Hong Kong Stock Connect, HKEx will identify the relevant EP and require it to follow the force-sell requirements
- Single foreign investors' shareholding in an A share must  $\leq 10\%$  of the total issued shares
  - As HKEx does not have individual investor's shareholding information, EPs should remind their clients to comply with the rule

## General Disclosure Obligations

- Who's liable: If an investor holds or controls up to 5% of the issued shares of a Mainland listed company, he is required to disclose
- How to disclose: Report in writing to the CSRC and SSE, and inform the listed company within three working days.
- Other restrictions: The investor is not allowed to buy or sell in that listed company during the three days. When relevant shareholding fall below 5%, the investor has to make the disclosure as well.

**EPs/CPs can refer to the CCASS Shareholding Information on the HKExnews website (披露易) for their shareholding percentage and alert their clients for any disclosure obligations if necessary**

# Information downloadable through Electronic Communication Platform (ECP)



File Type <sup>1</sup>	Available Time
Northbound trade file in Central Trade Feed format <i>(note: SSE stock code is 6 digits)</i>	<ul style="list-style-type: none"><li>- after mid-day</li><li>- day end market close</li><li>- ad hoc (under typhoon no. 8 is hoisted)</li></ul>
Stock code mapping file on SSE stock codes and CCASS stock codes <sup>2</sup>	before market open

## Notes:

1. EPs will be informed in advance if there are additional files to be available in ECP
2. SSE stock codes (6 digits) and CCASS stock codes (5 digits) mapping will be available on HKEx website

# CC OG Hardware

## Different Procurement Options



Options	Remarks
1. Procure through HKEx	<ul style="list-style-type: none"><li>• HKD28,000 (Standard) / HKD115,000 (High Availability)</li></ul>
2. Redeploy existing OG	<ul style="list-style-type: none"><li>• Allowable models: x3400 M3 and x3300 M4</li><li>• Hardware and software upgrade by appointed vendor via HKEx</li></ul>
3. EPs to procure their own CC OG	<ul style="list-style-type: none"><li>• Software installation by an appointed vendor *</li></ul>

\* The software must be installed by vendors which are trained and recognized by HKEx to ensure that the setup is properly done. As of June 2014 there are two appointed vendors.

# Market Data Dissemination

- To facilitate Northbound trading, the following information will also be disseminated via CC OG

Item	Details	Remarks
Market Data of SSE securities for Northbound Trading	<p>1-price depth real-time A-share data of eligible stocks, updated once every 5 seconds, will be disseminated via CC OG</p> <p>Data content include: Best Bid Price/Volume, Best Offer Price/Volume, Volume Traded, Value Traded, Previous Price, Open Price, Latest Price, Highest Price, Lowest Price</p>	<p>Market data are for internal use by EPs and their trading clients, and further dissemination to other third parties is not allowed.</p> <p>Further, the market data could not be used for index compilation and for deriving any tradable products.</p> <p>The use of market data is also subject to terms and conditions as specified by HKEx from time to time.</p>

1 Trading

**2 Clearing and Settlement**

3 Risk Management

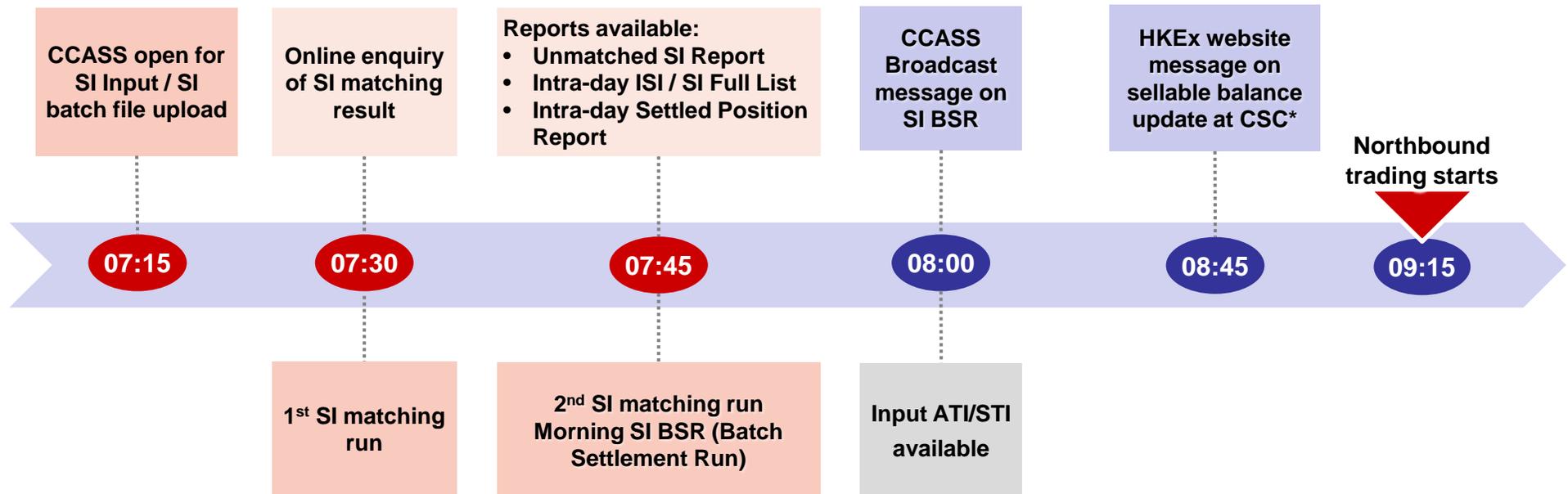
4 Tentative Testing Schedule

# Morning SI before Mainland Market Opens

## New arrangement after 1<sup>st</sup> round briefing



- Additional SI session available in the morning allowing **Custodians** to transfer SSE Securities
- Processes include:
  - SI input/upload, matching, settlement
  - EPs' A shares sellable balance for current day updated after morning SI settlement
- Restrictions:
  - Only for Custodians to transfer A shares to Brokers/Custodians (i.e. Brokers only to receive shares)



\* CSC: China Stock Connect System, the order routing system for A shares orders

**Custodians and brokers may find the morning SI run particularly useful to their institutional clients who may have difficulty meeting regulatory requirements of transferring A shares to selling brokers on T-1**

# Morning SI Arrangement

## Exception handling (processing failure)



Processing Failure Scenario	Impact to Morning SI and CSC Sellable Balance	Action to be taken by Participants
1. Failure of CCASS to complete Morning SI settlement	<ul style="list-style-type: none"> <li>Morning SI transfer cannot be completed</li> <li>CSC sellable balance will base on previous day-end image</li> </ul>	<ul style="list-style-type: none"> <li>Participants should conduct trading based on the sellable positions as of the end of previous trading day</li> </ul>
2. Failure of CSC to update sellable balance after morning SI settlement	<ul style="list-style-type: none"> <li>CSC sellable balance will base on previous day-end image</li> </ul>	<ul style="list-style-type: none"> <li>SI delivering participants should regard the updated CCASS holdings (reduced after SI settlement) as the sellable positions of that SSE Securities for the day</li> <li>SI receiving participants should regard previous day-end CCASS balance as the sellable positions of that SSE Securities for the day</li> </ul>

**Relevant CCASS broadcast message and/or SEHK message on HKEx website will be issued to inform market participants under the above scenarios**

# Morning SI Arrangement Exception Handling (severe weather condition)

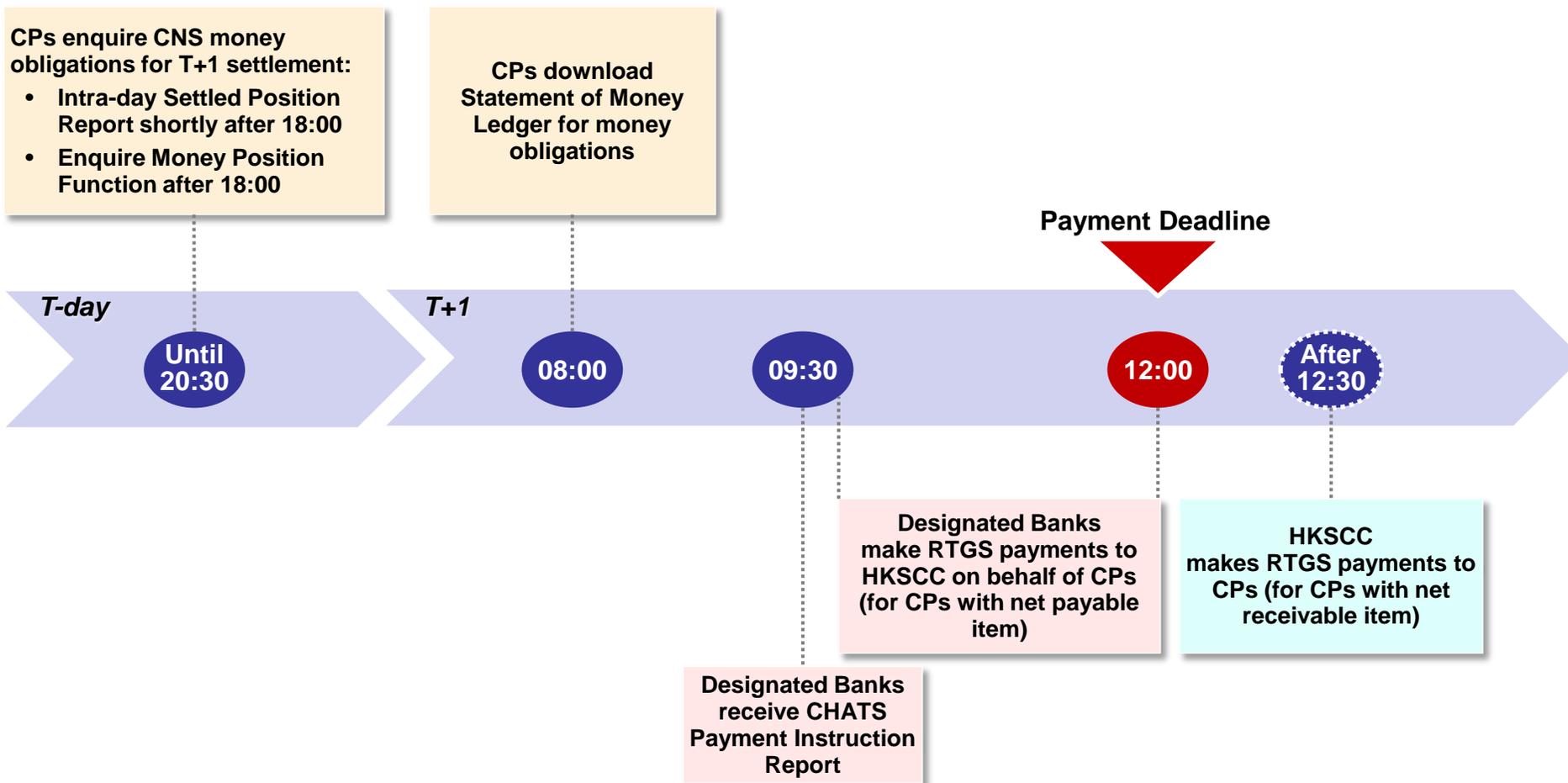


Severe Weather Scenario	Impact to Morning SI and CSC Sellable Balance	Action to be taken by Participants
1. Typhoon Signal No 8 or above / Black Rainstorm Signal issued before 07:15 and cancelled at or before 12:00 noon	<ul style="list-style-type: none"> <li>No morning SI Transfer for the day</li> </ul>	-
2. Typhoon Signal No 8 or above / Black Rainstorm Signal issued between 07:15 and 09:00, and remain in effect at 12:00 noon	<ul style="list-style-type: none"> <li>Full day typhoon, no CCASS services</li> <li>Disregard any completed morning SI settlement (i.e. fallback system image to pre-morning-SI settlement status)</li> <li>CSC sellable balance will base on previous day-end image</li> </ul>	<ul style="list-style-type: none"> <li>When CPs prepare SI instructions on the next business day, they should be mindful that any SIs submitted for settlement in the morning SI run on the typhoon day should have been disregarded</li> </ul>
3. Typhoon Signal No 8 or above / Black Rainstorm Signal Issued after 09:00	<ul style="list-style-type: none"> <li>Morning SI and CSC sellable balance update will be processed as normal</li> </ul>	-

**Relevant CCASS broadcast message and/or SEHK message on HKEx website will be issued to inform market participants under scenarios 1 and 2**

# Settlement of Northbound Trades in CCASS

## Money Settlement on T+1, in RMB via RTGS



**CPs who have a net payable amount shall make payment to HKSCC by 12:00 noon on T+1  
CPs who have a net receivable amount will receive money from HKSCC shortly after 12:30 p.m. on T+1**

# Enquire Money Position / Instruction Function

## Enhanced CCASS Functions to Facilitate A Share Money Settlement



- New section showing CNS money obligation for A-share Market to facilitate CPs' funding preparation
- RMB money obligations are updated simultaneously upon generation of Final Clearing Statement (FCS) and completion of CNS BSR on T-day

### CNS Money Obligation for A-share Market

Settled with CHATS Payment Instruction Generated on Current Day	Receivable/Received Amount	Payable/Paid Amount	Net Amount
CNS (A-share Market)	0.00	49,306.00-	49,306.00-
Settled with Payment Yet to Generate on T+1	Receivable/Received Amount	Payable/Paid Amount	Net Amount
CNS (A-share Market)	11,957.00	0.00	11,957.00
Unsettled Money Position for Current Day	Receivable/Received Amount	Payable/Paid Amount	Net Amount
CNS (A-share Market)	2,685,853.00	1,931,105.00-	754,748.00

# Cash Prepayment for SSE Securities

## Who need to make cash prepayment?



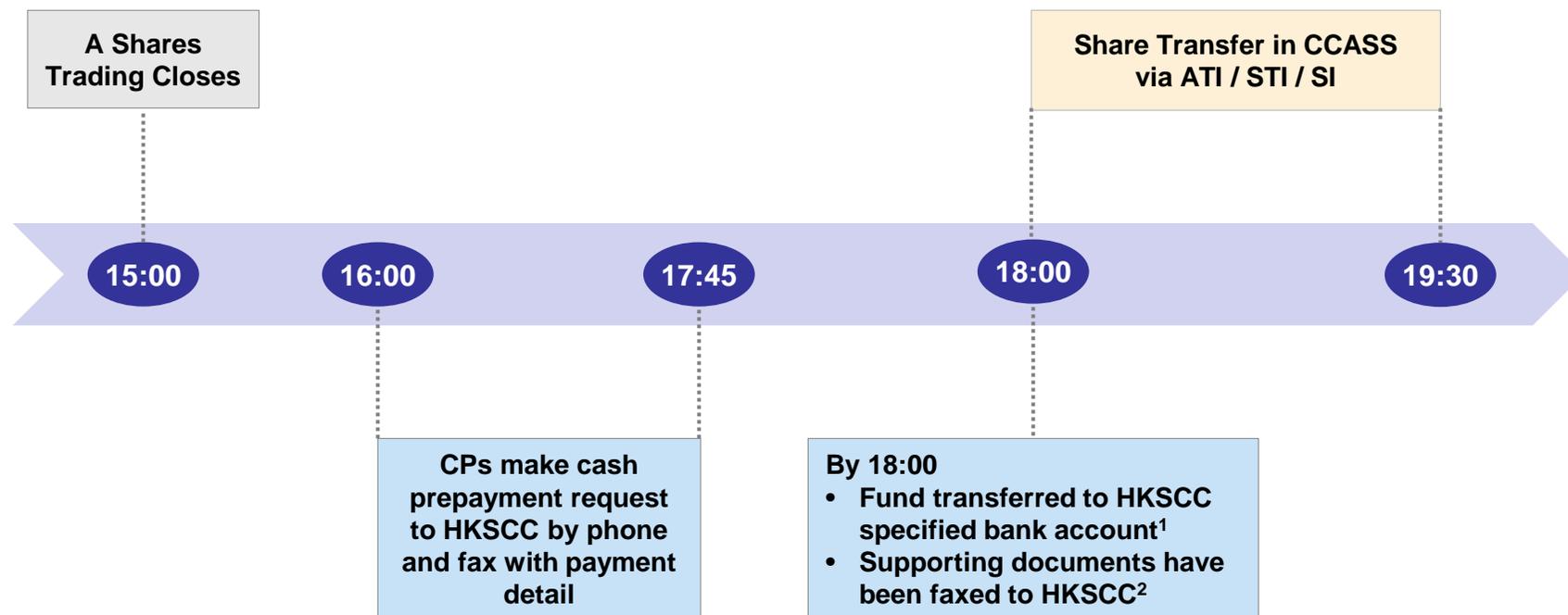
### CPs who want to transfer T-day position via SI

- Same as existing CNS securities on-hold mechanism, CNS allocated shares for SSE Securities will be put on-hold in Clearing Account (01) for CPs who have CNS net payable amount
- If such CPs want to deliver CNS settled SSE Securities to another CPs before money settlement on T+1, they should make cash payment on T-day

### GCPs who serve more than one EP

- GCPs are required to transfer shares to respective NCPs' designated stock accounts and/or their own accounts for pre-trade checking purpose on the next day

# Operation Flow of Cash Prepayment Service



**When available funds are confirmed, HKSCC will update CPs' Money Ledger to release the on-hold A shares**

1. CPs using the same bank as HKSCC can make use of intra-bank transfer to transmit available funds. For others, the funds can be paid via RTGS  
2. Such as credit transmit copies, payment instructions to their banks or electronic payment authorization, etc

# Outstanding CNS Short Position in an A Share

## All corresponding SIs will be put on-hold



Maintain Settlement Instruction		Site Map	Broadcast Message	Report Download	B0123401
		Announcement Information	Change Password	Print Logout	LSEE 03
					20-Nov-13 18:12
Enquire Settlement Instruction Detail					
SI Input Number:	100034838	Status:	MATCHED ON-HOLD		
Instruction Type:	DELIVER	Settlement Position Number:	P41088557		
Counterparty:	B012324	Internal Transaction Reference:			
Stock Code:	92921 A-SHARE 92921	SI Linkage Reference:			
ISIN:		Input Date:	31-JUL-13		
Market:	MAMK - MAINLAND A MK	Settlement Date:	25-JUL-13		
Quantity:	1,000-	Matched Date:	20-NOV-13		
Settlement Account:	3 CLIENT A/C	Last Update By:	CCASS		
Payment Instruction:	FGP	Update Date:	20-NOV-13		
Money Value:	0.00 CNY	Update Time:	18:01:32		
Actual Settlement Amount:	0.00 CNY				
Client Account Number:					
Client Name:					
Processing Reference:					
Purpose of SI:					
DI Required:	NO				
Hold Matched SI:	YES				
Remarks:					
Matched with Amount Variance:	NO				

[Enquire Another Instruction](#)    [Go To List](#)    [Help](#)

### Settlement of the on-hold SI on next business day:

- CPs are required to change the “Hold Matched SI” indicator from “Yes” to “No” via the “Change Hold Matched SI” function.
- Upon settlement of the corresponding short CNS position, SI settlement will be effected via the evening SI BSR or DI

# Fees & Charges for Northbound Trades

## Update on Portfolio Fee and Collection Procedures



- Existing Statement of Money Ledger will include money obligations of Hong Kong and Mainland A-share markets, please refer to appendix 2 for statement of money ledger sample and appendix 3.1 for numerical example of transaction cost of a Northbound trade

Items	Amount / Rate	Charged by	M/L Code in Statement of Money Ledger	Time of Collection
<b>Handling Fee</b> (經手費)	0.00696% of the consideration of a transaction per side	SSE	X3 / X8	Day-end DDI on T day
<b>Securities Management Fee</b> (證管費)	0.00200% of the consideration of a transaction per side	CSRC	X4	Day-end DDI on T day
<b>Transfer Fee</b> (過戶費)	0.06000% on face value per side	ChinaClear	X5 / X7	Day-end DDI on T day
<b>Stamp Duty</b> (交易印花稅)	0.10000% of the consideration of a transaction on the seller	SAT	X2	Day-end DDI on T day
<b>Portfolio Fee</b> (New CCASS Fee)	Multiple rates for different portfolio value (refer to coming slides)	HKSCC	FE	Auto-pay on the first weekend of next month

### Notes:

- Dividend Tax and Capital Gain Tax arrangement are subject to be confirmed with the relevant regulators / authorities
- Existing Nominee Fees (such as Scrip Fee, Corporate Action Fee and Dividend Collection Fee) will not be charged
- Existing Stock Settlement Fee for exchange trades will not be charged on Northbound trades
- Existing Money Settlement Fee and Stock Clearing / Settlement Fee for SI & STI will be charged for Mainland A-share market

# Portfolio Fee

## A New CCASS Fee for Depository and Nominee Services for A Shares



- Daily stock portfolio value of A shares in CCASS \* fee rate (% p.a.) / 365 at sliding scales
- Calculated on each calendar day (including all Saturday, Sunday and public holidays)
- Accrued daily and collected on a monthly basis with posting to the billing account of CP's money ledger on the first business day of the month
- CP can refer to a new CCASS report "Monthly Portfolio Fee Collection Report" with data file generated at month end for fee incurred on each calendar day of the month

Tier Level	Proposed Portfolio Value Range	Proposed Fee Rate / Annum
1	The first HK\$50 billion	0.008%
2	The next HK\$200 billion (portfolio values between HK\$50 billion and HK\$250 billion)	0.007%
3	The next HK\$250 billion (portfolio values between HK\$250 billion and HK\$500 billion)	0.006%
4	The next HK\$250 billion (portfolio values between HK\$500 billion and HK\$750 billion)	0.005%
5	The next HK\$250 billion (portfolio values between HK\$750 billion and HK\$1,000 billion)	0.004%
6	Remainder (portfolio values above HK\$1,000 billion)	0.003%

*Subject to SFC's approval  
Refer to Appendix 3.2 for numerical example*

# Monthly Portfolio Fee Collection Report Layout



(1)CCDPC01 (2)B11668  
(3)GOODWILL & COMPANY

HKSCC - CCASS  
MONTHLY PORTFOLIO FEE COLLECTION REPORT  
(MARKET - A-SHARE MARKET)

(4)RUN DATE : 1DEC14  
(5)RUN TIME : 22:30:00  
PAGE : 1

(6)DATE : 30NOV14

(7) VALUE DATE	(8) PORTFOLIO VALUE	(9) HIGHEST TIER LEVEL	(10) PORTFOLIO FEE
01NOV14	37,500,000,000.00	1	8,219.18
02NOV14	37,500,000,000.00	1	8,219.18
03NOV14	67,500,000,000.00	2	14,315.07
04NOV14	740,000,000,000.00	4	123,287.67
05NOV14	360,000,000,000.00	3	67,397.26
06NOV14	820,000,000,000.00	5	132,328.77
07NOV14	68,700,000,000.00	2	14,545.21
08NOV14	68,700,000,000.00	2	14,545.21
09NOV14	68,700,000,000.00	2	14,545.21
10NOV14	580,200,000,000.00	4	101,397.26
11NOV14	1,040,000,000,000.00	6	155,342.47
12NOV14	1,304,000,000,000.00	6	177,041.10
13NOV14	840,000,000,000.00	5	134,520.55
14NOV14	665,000,000,000.00	4	113,013.70
15NOV14	665,000,000,000.00	4	113,013.70
16NOV14	665,000,000,000.00	4	113,013.70
17NOV14	425,500,000,000.00	3	78,164.38
18NOV14	326,000,000,000.00	3	61,808.22
19NOV14	113,000,000,000.00	2	23,041.10
20NOV14	53,000,000,000.00	2	11,534.25
21NOV14	41,500,000,000.00	1	9,095.89
22NOV14	41,500,000,000.00	1	9,095.89
23NOV14	41,500,000,000.00	1	9,095.89
24NOV14	335,500,000,000.00	3	63,369.86
25NOV14	476,600,000,000.00	3	86,564.38
26NOV14	1,367,000,000,000.00	6	182,219.18
27NOV14	1,146,000,000,000.00	6	164,054.79
28NOV14	265,000,000,000.00	3	51,780.82
29NOV14	265,000,000,000.00	3	51,780.82
30NOV14	265,000,000,000.00	3	51,780.82
(11) TOTAL:			2,158,131.53

(1)CCDPC01 (2)B11668  
(3)GOODWILL & COMPANY

HKSCC - CCASS  
MONTHLY PORTFOLIO FEE COLLECTION REPORT  
(MARKET - A-SHARE MARKET)

(4)RUN DATE : 1DEC14  
(5)RUN TIME : 22:30:00  
PAGE : 2

(6)DATE : 30NOV14

(12)  
TIER STRUCTURE AND RATE FOR REFERENCE:

TIER 1 - FROM	0 TO	50,000,000,000	(RATE: 0.0080 % PER ANNUM)
TIER 2 - FROM	50,000,000,000 TO	250,000,000,000	(RATE: 0.0070 % PER ANNUM)
TIER 3 - FROM	250,000,000,000 TO	500,000,000,000	(RATE: 0.0060 % PER ANNUM)
TIER 4 - FROM	500,000,000,000 TO	750,000,000,000	(RATE: 0.0050 % PER ANNUM)
TIER 5 - FROM	750,000,000,000 TO	1,000,000,000,000	(RATE: 0.0040 % PER ANNUM)
TIER 6 - FROM	1,000,000,000,000		(RATE: 0.0030 % PER ANNUM)

\*\*\* END OF REPORT \*\*\*

# Update on Corporate Actions of SSE Securities

## Cash / Scrip Entitlement



### Overview

- Distribution of cash entitlements follows current timeline for Hong Kong market
- Subject to dividend withholding tax<sup>1</sup>
- Four new batches of scrip entitlement distribution (for SSE Securities) at around 7:30 a.m., 6:00 p.m. (after 2<sup>nd</sup> A-share market CNS BSR), 7:00 p.m. and 8:00 p.m., on Monday to Friday, except Hong Kong and/or Mainland public holiday

### Trading of Scrip Entitlements

Type of Scrip Entitlement	Can HK & overseas investors buy/sell the scrip entitlement distributed by Northbound Eligible Securities?
Northbound Eligible Securities <sup>2</sup>	Allowed to buy and sell
Northbound non-eligible Securities but listed on SSE	Only allowed to sell
Non-SSE Listed Securities	Not allowed to buy or sell HKSCC to announce the arrangement on a case by case basis

#### Notes:

1. Further discussion with relevant authorities in progress and will be announced in due course
2. Northbound Eligible Securities refer to those SSE Securities listed on SSE and are eligible for trading by Hong Kong and overseas investors via Shanghai-Hong Kong Stock Connect

# Update on Corporate Actions of SSE Securities

## Takeover Offer and Voting



### Takeover Offer

- CCASS subscription deadline is usually one business day before the deadline of the listed issuer of SSE Securities
- With a narrower subscription window, i.e. shortly after 6:00 p.m. (after the completion of 2nd A-share market CNS BSR) to 7:00 p.m.

### Voting

- Hong Kong and overseas investors may exercise their voting rights by giving their voting instructions to HKSCC through CCASS participants by existing Voting Instruction Maintenance function
- CCASS voting deadline is one business day (4:15 pm) before the deadline stipulated by the relevant issuers of SSE Securities
- Under the existing Mainland rules and nominee structure, Hong Kong and overseas investors will not be able to attend meetings of SSE Securities in person as proxy

***Separate Entitlement Statement will be generated for the A Shares Market<sup>1</sup>***

*Notes:*

1. Refer to Appendix 6, 7 & 8 for further detail of corporate actions of SSE Securities
2. New Mainland rules will be promulgated such that all Mainland issuers will be required to provide on-line voting as an alternative to on-site voting

# Trading, Clearing and Settlement Arrangement under Severe Weather Condition



- If SSE notifies the market about the potential service suspension of trading on the following trade day due to severe weather conditions, SEHK will notify the market accordingly
- Initially, in case of Typhoon signal no. 8 or above (T8) or Black rainstorm in Hong Kong:

Scenarios	Northbound Trading of SSE Securities	Money Settlement (for T-1 position)	Securities Settlement (for T position)
1. T8 / Black rainstorm issued before HK market opens (i.e. 9:00 a.m.) and discontinued after 12:00 noon	Not open	No	N/A
2. T8 issued between 9:00 a.m. and 9:15 a.m.	Not open	Yes	
3. T8 issued after SSE market opens (i.e. 9:15 a.m.)	Trading will continue for 15 minutes after T8 issuance, thereafter, only order cancellation is allowed till SSE market close	Yes	Yes
4. Black rainstorm issued after HK market opens (i.e. 9:00 a.m.)	Trading continues as normal	Yes	Yes
5. T8 / Black rainstorm discontinued at or before 12:00 noon	Trading resumes after 2 hours	Postpone to 3 p.m.	

1 Trading Arrangement

2 Clearing and Settlement

**3 Risk Management**

4 Tentative Testing Schedule

# Risk Management Measures on Northbound Trades

## Intra-day collection



### For Positions in SSE Securities (RMB)

ChinaClear

1. Mainland Settlement Deposit 內地結算備付金
2. Mainland Security Deposit (non-mutualised portion)  
內地證券結算保證金

CSRC & MOF\*

3. Mainland Clearing Risk Fund 內地證券結算風險基金

HKSCC

4. Additional Collateral
5. Intra-day Mainland Settlement Deposit

\* MOF: Ministry of Finance

# Risk Management Measures on Northbound Trades

## Updates



### Mainland Settlement Deposit

內地結算備付金

- No refund on Mainland Settlement Deposit in the first calendar month upon launch of Shanghai-Hong Kong Stock Connect

### Mainland Security Deposit

內地證券結算保證金

Mainland Security Deposit rate is:

- 16% - if Mainland Clearing Risk Fund is required
- 16.4% - if Mainland Clearing Risk Fund is not required

### Mainland Clearing Risk Fund

內地證券結算風險基金

- Pending confirmation of the relevant Mainland authorities

# Risk Management Measures on Northbound Trades

## Mainland Settlement Deposit - Example



(In RMB)	31	1	2	3	4	10 <sup>th</sup> bank day
<b>Calendar Day</b>	31	1	2	3	4	12
(A) Monthly Review	5M	7M	7M	7M	7M	7M
(B) Daily Review		3M	4M	10M	9M	8M
(C) Mainland Settlement Deposit Requirement		7M	7M	10M	9M	8M
[higher of (A) and (B)]						
(D) On-hand amount		5M	7M	7M	10M	10M
(E) (Collect) / Refund		(2M)	0	(3M)	0	2M

Shortfall of RMB 2M will be collected via day-end DDI

Shortfall of RMB 3M will be collected via day-end DDI

No refund for surplus except on the 10<sup>th</sup> bank day

Excess of RMB 2M will be refunded via day-end DCI

**Notes:**

- (A) Monthly review is conducted on the last calendar day of each month based on **daily average of the month's** (Purchase turnover + Overdue short positions in SSE Securities) x 20%
- (B) Daily review is calculated based on the **current day's** (Purchase turnover + Overdue short positions in SSE Securities) x 20%

# Risk Management Measures on Northbound Trades

## Intra-day Mainland Settlement Deposit



### Daily Calculation

- **Trigger Condition:**

Risk exposure of SSE Securities is significant due to unfavourable price movements or surge in trading activities

- **Intra-day Mainland Settlement Deposit shortfall =**

(Required Mainland Settlement Deposit calculated based on the purchase turnover & overdue short positions in SSE Securities at the morning close – Mainland Settlement Deposit on hand)

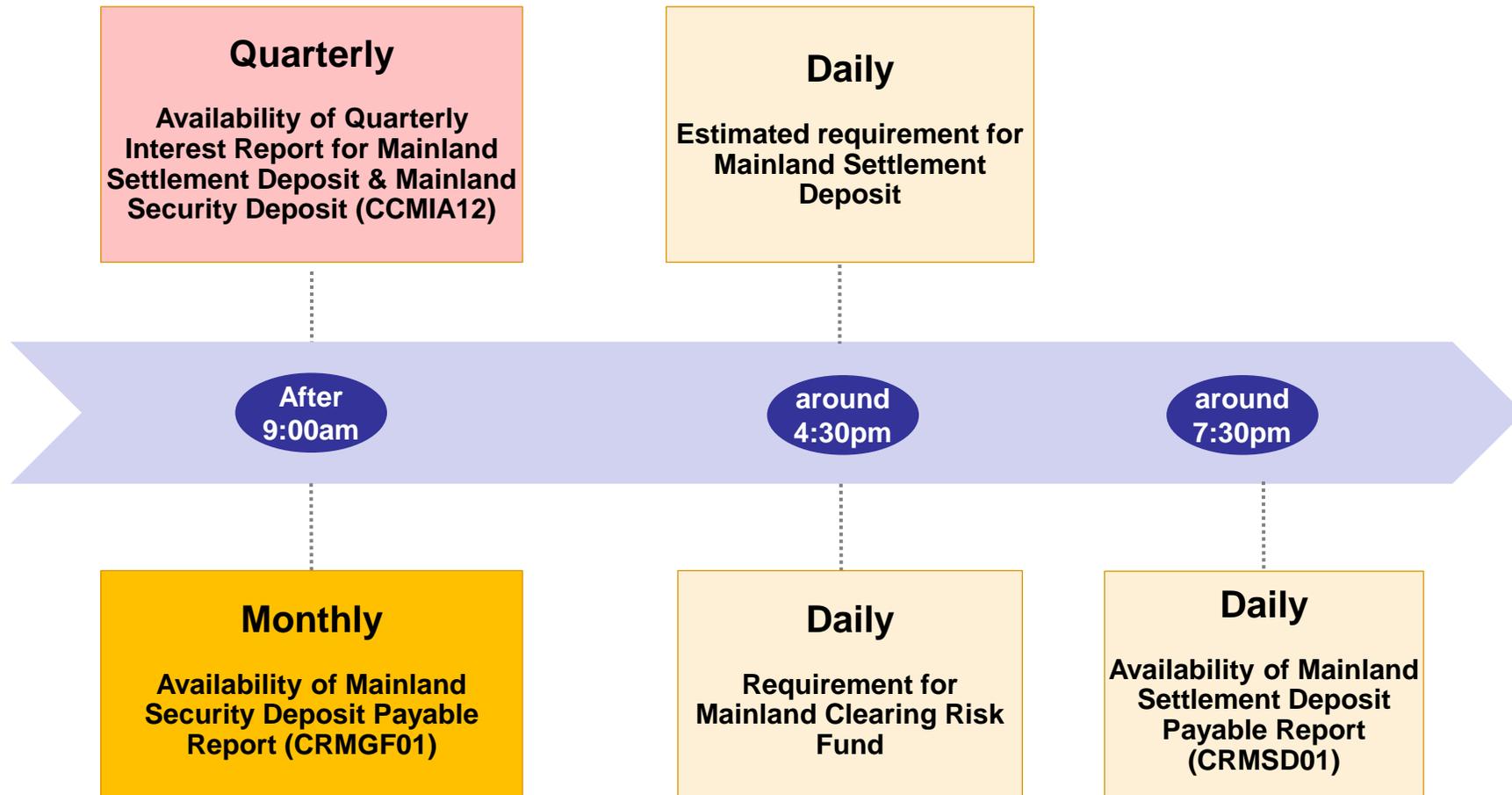
### Collection

- Tolerance limit of RMB 5 million per CP will be granted
- If intra-day Mainland Settlement Deposit shortfall > RMB 5 million, collect amount in full
- Inform CPs at around 1:30pm via fax and telephone
- Collect via RTGS by 3:30pm

### Refund

- Follow the mechanism and schedule of Mainland Settlement Deposit

# Risk Management related Broadcast Messages and Reports Availability for Northbound Trades



1 Trading Arrangement

2 Clearing and Settlement

3 Risk Management

**4 Tentative Testing Schedule**

# Tentative Testing Schedule

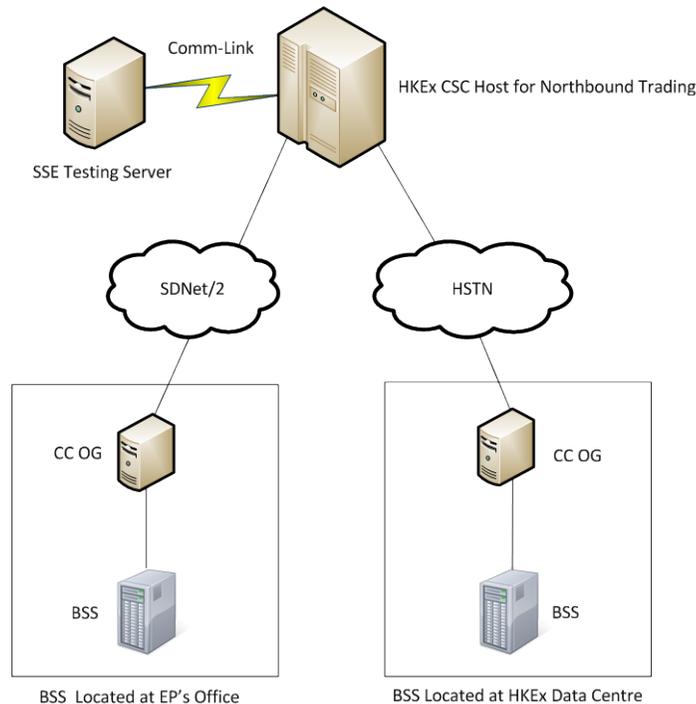


Date (2014)	Tests / Briefings
2 July to 15 August	End to End Tests (E2E)
Late July to early August	Market Rehearsal briefings
By 15 August	EPs to return E2E test results
23, 24 August	Connectivity test *
30, 31 August	Market Rehearsal 1
13, 14 September	Market Rehearsal 2 *
20, 21 September	Market Rehearsal 3 (if necessary) *

\* Will confirm the final schedule (i.e. whether EPs/CPs will be required to participate in the relevant tests on Sundays) during the briefings in late July

Note: EPs need to complete installation of production CC OG/BSS and circuits before market rehearsals

# End-to-End Testing Arrangements for EPs



- The E2E environment will be connected to the Shanghai Stock Exchange testing server, supporting EPs to verify the functionalities of their Broker Supplied System (BSS)
- Period: 2 July - 15 Aug 2014
  - Open Test: 2 - 17 July 2014, for EPs to verify their system connectivity, operational procedures, user functions, etc
  - Official Test: 21 July - 15 August 2014, conduct test according to E2E package
- Time: 09:15 am – 11:45 am
- EPs are reminded to work out with network providers on the subscription period and conversion of the testing lines to production lines, if applicable
- EPs need to confirm their system readiness on or before 15 Aug 2014 before joining the Market Rehearsals

## More Information on the Website



Visit Shanghai-Hong Kong Stock Connect Web Corner at

**[www.hkex.com.hk/chinaconnect](http://www.hkex.com.hk/chinaconnect)**



# Questions and Answers



# Appendix

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# Appendix 1

## Eligible Securities



	Northbound: SSE Securities	Southbound: SEHK Securities
Index Constituent Stocks	SSE180 SSE380	HS LargeCap HS MidCap
A+H	SSE-SEHK A+H	SSE-SEHK A+H
Excluding	Shares under risk alert board [風險警示板] Shares that are not traded in RMB	A+H on other Mainland exchange Shares that are not traded in HKD  H Share with corresponding SSE A Share under risk alert board
Total No of Stocks*	568	266
Market Capitalisation*	90%	82%
Average Daily Turnover*	80%	78%

\* No. of stocks as of 10 April 2014; MC as at end of March 2014; ADT is for Jan-March 2014

# For any SSE security not accepted as an SSE Security upon launch due to its being under risk alert board, if it is subsequently removed from the risk alert board, it will be accepted as an SSE Security if it falls under any of the selection criteria

**List of SSE Securities (for reference) is available on the HKEx website and will be updated upon launch**

# Appendix 2

## Statement of Money Ledger Sample

### Global Report for Hong Kong market (HKMK) and Mainland A share market (MAMK)



CSEMS08 (2)B03456 CCASS COMPANY		HKSCC - CCASS STATEMENT OF MONEY LEDGER				(4) RUN DATE : 08DEC14 (5) RUN TIME : 22:00:02 PAGE : 1	
DATE : 08DEC14 CURRENCY : CNY							
(16) POSTING DATE	(8) MARKET DATE	(9) LEDGER TRN NO	(17) TRN TYP	(10) MKT CODE	(10) DESCRIPTION	(12) CR AMOUNT/ (11) DR AMOUNT	(13) BALANCE
SETTLEMENT A/C							
EXTENDED SESSION-BROUGHT FORWARD BALANCE							50,000.00-
NORMAL SESSION							
08DEC14	08DEC14	M00045124	X1	MAMK	A-SHARE CPI PMT GENERATION NO. J427540	50,000.00	0.00
08DEC14	08DEC14	M00125467	X6	MAMK	CASH PREPMT TO RELEASE ON-HOLD A-SHARE	6,000.00	6,000.00
08DEC14	08DEC14	M40045714	01	HKMK	SETTLEMENT OBLIGATIONS	50,800.00	56,800.00
08DEC14	08DEC14	M01214954	89	GLOB	EVENING DCI GENERATION NO.D40371568	50,800.00-	6,000.00
08DEC14	08DEC14	M40415010	01	MAMK	SETTLEMENT OBLIGATIONS	6,000.00-	0.00
EXTENDED SESSION-CARRIED FORWARD BALANCE							0.00
MARGIN & PENDING MARKS A/C							
EXTENDED SESSION-BROUGHT FORWARD BALANCE							0.00
EXTENDED SESSION-CARRIED FORWARD BALANCE							0.00
OVERDUE POSITION MARKS A/C							
EXTENDED SESSION-BROUGHT FORWARD BALANCE							0.00
EXTENDED SESSION-CARRIED FORWARD BALANCE							0.00
ENTITLEMENTS A/C							
EXTENDED SESSION-BROUGHT FORWARD BALANCE							0.00
NORMAL SESSION							
08DEC14	08DEC14	M40122745	08	MAMK	CASH DIVIDEND/PAYMENT ON ABC SECURITY	3,215.00	3,215.00
08DEC14	08DEC14	M40124557	62	GLOB	DIRECT CREDIT INSTRUCTION NO.D42158512	3,215.00-	0.00
EXTENDED SESSION-CARRIED FORWARD BALANCE							0.00
BILLING A/C							
EXTENDED SESSION-BROUGHT FORWARD BALANCE							0.00
EXTENDED SESSION-CARRIED FORWARD BALANCE							0.00
MISCELLANEOUS A/C							
EXTENDED SESSION-BROUGHT FORWARD BALANCE							0.00
NORMAL SESSION							
08DEC14	08DEC14	M40544521	XG	MAMK	MCRF CONTRIBUTION INSTR 2014-12-08 #0004	85.51-	85.51-
08DEC14	08DEC14	M40544531	X2	MAMK	A-SHARE STAMP DUTY	40.40-	125.91-
08DEC14	08DEC14	M40544535	X3	MAMK	A-SHARE HANDLING FEE	119.02-	244.93-
08DEC14	08DEC14	M40544536	X8	MAMK	A-SHARE HANDLING FEE	79.35-	324.28-
08DEC14	08DEC14	M40544538	X4	MAMK	A-SHARE SECURITIES MANAGEMENT FEE	57.01-	381.29-
08DEC14	08DEC14	M40544545	X5	MAMK	A-SHARE TRANSFER FEE	89.13-	470.42-
08DEC14	08DEC14	M40544550	X7	MAMK	A-SHARE TRANSFER FEE	89.13-	559.55-
08DEC14	08DEC14	M40544553	61	GLOB	DIRECT DEBIT INSTRUCTION NO.D42158518	559.55	0.00

Settled CPI for T-1 day position

Cash prepayment to release on-hold A-shares on T day

Cash dividend of A-shares

A-share related transaction costs

# Appendix 3.1

## Transaction cost of Northbound Trade – Example



On T day, a CP has to clear a Northbound **Sell** Trades with below detail:

Trade Quantity: 300 shares      Trade Price: ¥ 30

Face Value: RMB 1 per share

Fee Type	Description	Formula	Amount *
Handling Fee (經手費)	0.00696% of the consideration of a transaction per side	$300 \times ¥ 30 \times 0.00696\% = ¥ 0.6264$	¥ 0.63
Securities Management Fee (證管費)	0.00200% of the consideration of a transaction per side	$300 \times ¥ 30 \times 0.00200\% = ¥ 0.18$	¥ 0.18
Transfer Fee (過戶費)	0.06000% on face value per side	$300 \times ¥ 1 \times 0.06000\% = ¥ 0.18$	¥ 0.18
Stamp Duty (交易印花稅)	0.10000% of the consideration of a transaction on the <u>seller</u>	$300 \times ¥ 30 \times 0.10000\% = ¥ 9$	¥ 9
Total transaction cost to settle the Northbound Trade			¥ 9.99

\* Note: Mainland fees will be rounded to the nearest cent

### **About Face Value of SSE Securities** (for calculation of Transfer Fee)

- As of end of June 2014, face value per share of all SSE Securities under Shanghai-Hong Kong Stock Connect is ¥1, except:
  - 601899 ZIJIN MINING GROUP CO LTD (紫金礦業), face value ¥0.1
  - 603993 CHINA MOLYBDENUM CO LTD (洛陽鉬業), face value ¥0.2
- Face value of SSE Securities will be available on HKEx website

## Appendix 3.2

### Portfolio Fee Calculation – Example



#### Case:

*The daily portfolio value of a CP in November 2014:*

*On 1 – 2 Nov: HK\$30 billion*

*On 3 Nov: HK\$200 billion*

*On 4 – 16 Nov: HK\$400 billion*

*On 17 Nov – 30 Nov: HK\$300 billion*

Tier Level	Proposed Portfolio Value Range	Proposed Fee Rate
1	The first HK\$50 billion	0.008%
2	The next HK\$200 billion (portfolio values between HK\$50 billion and HK\$250 billion)	0.007%
3	The next HK\$250 billion (portfolio values between HK\$250 billion and HK\$500 billion)	0.006%
4	The next HK\$250 billion (portfolio values between HK\$500 billion and HK\$750 billion)	0.005%
5	The next HK\$250 billion (portfolio values between HK\$750 billion and HK\$1,000 billion)	0.004%
6	Remainder (portfolio values above HK\$1,000 billion)	0.003%

Date (no. of calendar days)	Applicable Tier Level	Total Portfolio Fees (HK\$)
1 Nov – 2 Nov (2)	Tier 1: \$30 billion X 0.008% / 365 = \$6,575.34246	\$6,575.34 X 2 = \$13,150.68
3 Nov (1)	Tier 1: \$50 billion X 0.008% / 365 = \$10,958.90410 Tier 2: \$150 billion X 0.007% / 365 = \$28,767.12328	\$39,726.03
4 – 16 Nov (13)	Tier 1: \$50 billion X 0.008% / 365 = \$10,958.90410 Tier 2: \$200 billion X 0.007% / 365 = \$38,356.16438 Tier 3: \$150 billion X 0.006% / 365 = \$24,657.53424	\$73, 972.60 X 13 = \$961,643.80
17 – 30 Nov (14)	Tier 1: \$50 billion X 0.008% / 365 = \$10,958.90410 Tier 2: \$200 billion X 0.007% / 365 = \$38,356.16438 Tier 3: \$50 billion X 0.006% / 365 = \$8,219.17808	\$57,534.25 X 14 = \$805,479.50
<b>Total Portfolio Fee for the month</b>		<b>\$1,820,000.01</b>

# Appendix 4.1

## List of CCASS Reports relevant to Mainland A share Market (MAMK) - Market Reports



Report ID	Report Description	Report ID	Report Description
CCLID01	Intra-Day Trade File (available in data file format only)	CSESM01	Statement of Stock Movement (By Stock) Report
CCLSI01	SI Status Report	CSESM02	Statement of Stock Movement (By Account) Report
CCLSI02	SI Activity Report	CSESP01	Settled Position Report
CCLTN05	Final Clearing Statement	CSESP04	Intra-Day Settled Position Report
CCLUS01	Unmatched SI Report	CCNAN05	Corporate Announcement Master Data File
CFIBI01	Buy-In Notification Report	CCNAN06	Corporate Announcement Maintenance Activities Report
CSEAT02	STI Activity Report	CCNPT01	Nominee Functions Input Activities Report
CSEAT03	STI Status Report	CCNPT02	Entitlement Statement
CSEOP01	Next Settlement Day Due / Overdue Position Report	CCNPT03	Participant Voted Quantity Exception Report - On Voting Deadline
CSESB01	Daily Stock Balance Report	CCNPT04	Participant Voted Quantity Exception Report - Before Voting Deadline
CSESE01	Settlement Report	CCNPT06	Nominee Fees Refund Report ( <i>always blank</i> )
CSESI02	Intra-Day ISI / SI Full List	CCDPC01*	Monthly Portfolio Fee Collection Report

Total 24 A-share Market Reports Note \*: Newly added report subject to SFC approval

Report samples for the above reports are available at:

[http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/enhancedccassfunctionsreports.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/enhancedccassfunctionsreports.htm)

## Appendix 4.2

### List of CCASS Reports relevant to Mainland A share Market (MAMK) - Global Reports



Report ID	Report Description	Report ID	Report Description
CCLEI01	SI Batch Input Control Report	CSEMA28 / CSEMS28	DDI / DCI / EPI Summary for Participant
CFIMC01	Monthly Stock Balance Report	CETMB02	Broadcast Message Listing
CSEMA08 / CSEMS08	Statement of Money Ledger	CRMSD01***	Mainland Settlement Deposit Payable Report
CSEAT01**	STI Batch Input Control Report	CRMGF01***	Mainland Security Deposit Payable Report
CSEBA01**	ATI Batch Input Control Report	CCMIA12***	Quarterly Interest Report for Mainland Settlement Deposit and Mainland Security Deposit

Note \*\*: Reports change from market to global

\*\*\*: Newly added reports

# Appendix 5

## Transfer of SSE Securities within CCASS



<b>ISI</b>	<ul style="list-style-type: none"><li>■ Not applicable to SSE Securities</li><li>■ Purging period will be extended to 14 calendar days</li></ul>
<b>SI</b>	<ul style="list-style-type: none"><li>■ Input available from 7:15 a.m. to 7:30 p.m.</li><li>■ SI matching allowed during the day but SI settlement only allowed in the SI run before trading commences and after CNS settlement completes</li><li>■ SI can only be settled on free of payment (FOP) basis</li><li>■ Purging period will be extended to 14 calendar days</li></ul>
<b>DI</b>	<ul style="list-style-type: none"><li>■ can only be effected to settle SIs in SSE Securities after completion of the 2<sup>nd</sup> CNS BSR shortly after 6:00 p.m. until 7:30 p.m.</li></ul>
<b>ATI / STI</b>	<ul style="list-style-type: none"><li>■ Input available from 8:00 a.m. to 7:30 p.m.</li><li>■ Follow existing time schedule for file validation runs</li><li>■ Purging period for STI will be extended to 14 calendar days</li></ul>
<b>Mass ATI /STI</b>	<ul style="list-style-type: none"><li>■ Available from 8:00 a.m. to 7:30 p.m.</li></ul>

# Appendix 6

## Data fields not applicable to the corporate actions of SSE Securities



Field Name	Details	How will it impact?
<b>Payable Date</b>	<ul style="list-style-type: none"> <li>Payable Date will be “blank” if it is the business day following Shareholding Date of Benefit Entitlement Announcement of MAMK</li> </ul>	<ul style="list-style-type: none"> <li>Payable Date will only be shown in “Announcement Summary” of the relevant announcement displayed on “Enquire Announcement Information List” / “Enquire Announcement Information Detail” in CCASS Terminal.</li> <li>Benefit Entitlement announcement of MAMK will not be shown by “Announcement Payable Date “ enquiry type via “Enquire Announcement Information” function in CCASS Terminal.</li> <li>Payable date will only be reflected in the “Benefit Entitlement” Section of Entitlement Statement (CCNPT02) but will not be shown in other nominee-related reports / data files.</li> </ul>
<b>Ex-Dividend Date / Book Close Period</b>	<ul style="list-style-type: none"> <li>Ex-Dividend Date maintained in MAMK Announcement is for internal processing and does not reflect the actual Ex-Dividend Date announced by the Issuer</li> <li>Book Close Period is not applicable to MAMK</li> </ul>	<ul style="list-style-type: none"> <li>Ex-Dividend Date and Book Close Period displayed in “Enquire Announcement Information Detail” and nominee-related reports or data files for MAMK can be disregarded.</li> </ul>
<b>Nominee Fees</b>	<ul style="list-style-type: none"> <li>Existing Nominee Fees (including Scrip Fee, Corporate Action Fee and Dividend Collection Fee) will be replaced by Portfolio Fee</li> </ul>	<ul style="list-style-type: none"> <li>Existing Nominee Fees will be shown as “zero” in nominee-related reports / data files for MAMK.</li> </ul>

# Appendix 7

## Entitlement Statement for SSE Securities



- Separate Entitlement Statement (CCNPT02) will be generated for MAMK
- Not all sections in Entitlement Statement are applicable to MAMK

	Section Name	Applicable to MAMK
1	Corporate Action Reminder <i>(Share Consolidation/Splitting rarely happened in A Shares Markets)</i>	Y
2	Scrip Fee	N
3	Corporate Action Fee	N
4	Benefit Entitlement	Y
5	Exchange of Shares	N
6	Takeover Offer / Auto-Exercise of Structured Products	Y
7	Warrant Subscription	N
8	Rights / Excess Right Subscription	TBC*

	Section Name	Applicable to MAMK
9	Open Offer / Excess Open Offer	N
10	Corporate Action <i>(Share Consolidation/Splitting rarely happened in A Shares Markets)</i>	Y
11	Periodic Interest Entitlement	N
12	Bond / Preference Shares Conversion	N
13	Warrant Subscription with Bond Conversion	N
14	Redemption	N
15	Claims on Unclaims	N
16	Book-close Reminder <i>(Book close period is not applicable. The instruction input periods for voting, rights issue and takeover offer and the effective date of lapsed rights removal are still applicable )</i>	Y

\*Availability of right issues is subject to approval by relevant regulators and will be announced in due course

# Appendix 8

## Handle Corporate Actions of SSE Securities on Holidays / under Severe Weather Condition



	Hong Kong Public Holiday	Typhoon signal/Black Rainstorm issued before 9 a.m. and discontinued at or before 12 noon	Typhoon signal /Black Rainstorm issued at or after 9:00 a.m.	Typhoon signal issued before 9 a.m. and discontinued after 12 noon
Shareholding Date of Benefit Entitlement	Set on the common business day prior to HK Holiday	No impact	No impact	Maintain new announcement to supersede the affected announcement in CCASS as soon as practicable
Payable Date	Set on the common business day <sup>1</sup> following HK Holiday	Resume after CCASS service resumption	Postpone to next business day <sup>1</sup>	Postpone to next business day <sup>1</sup>
Shareholding Date of Voting	Set on the common business day prior to HK Holiday	No impact	No impact	No impact
Voting End Date	Set on the common business day prior to HK Holiday	Instruction input function resume after CCASS service resumption	Manual instruction to HKSCC will be required <sup>2</sup>	Manual instruction to HKSCC will be required <sup>2</sup>
Subscription End Date of Takeover Offer	Set on the common business day prior to HK Holiday	No impact	Manual instruction to HKSCC is required <sup>2</sup>	Manual instruction to HKSCC is required <sup>2</sup>

**Going forward, will explore provision of Normal Nominee Services during Holiday and Severe Weather in Hong Kong**

1. Scrip entitlement will be credited to Participants' stock account at around 7:30 am on the business day following the scheduled payable date when it falls on HK public holiday, typhoon issued at or after 9:00 am or whole-day typhoon/black rainstorm cases
2. CPs will be informed of the arrangement via Broadcast Message on CCASS terminals