

香港聯合交易所有限公司
(香港交易及結算所有限公司全資附屬公司)

THE STOCK EXCHANGE OF HONG KONG LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: Establishment of Shenzhen-Hong Kong Stock Connect and Abolition of Aggregate Quota for Shanghai-Hong Kong Stock Connect

Enquiry: Participant General Enquiry Hotline (Tel: 2840 3626)

Exchange Participants (“EPs”) shall refer to the [Joint Announcement](#) issued by the Securities and Futures Commission (“SFC”) and the China Securities Regulatory Commission (“CSRC”) on 16 August 2016 regarding the in-principle approval for the establishment of mutual stock market access between Shenzhen and Hong Kong (“Shenzhen-Hong Kong Stock Connect”). EPs shall also refer to the [announcement](#) of Hong Kong Exchanges and Clearing Limited of the same date.

A. Summary of Key Features

To facilitate Participants’ understanding of Shenzhen-Hong Kong Stock Connect, the proposed key features are summarized below:

	Shenzhen-Hong Kong Stock Connect
- Parties involved	(1) The Stock Exchange of Hong Kong Limited (“SEHK”) (2) Shenzhen Stock Exchange (“SZSE”) (3) Hong Kong Securities Clearing Company Limited (“HKSCC”) (4) China Securities Depository and Clearing Corporation Limited (“ChinaClear”)
	Northbound features
- Northbound order-routing entity	SEHK has established a new wholly-owned subsidiary (“New SEHK Subsidiary”) to carry out the routing of orders from EPs to SZSE; the New SEHK Subsidiary will apply for any requisite authorization from the CSRC regarding its activities and for admission as a special trading participant of SZSE. It will also apply for authorization as an automated trading services provider from the SFC.

- Eligible stocks	(1) All the constituent stocks of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index with market capitalization of not less than RMB 6 billion; ¹ and (2) All the A shares of SZSE-listed companies which have H shares listed on SEHK except shares under “risk alert” or delisting arrangement.
- Eligible investors	(1) For A shares listed on the Main Board and the Small and Medium Enterprise Board of SZSE, Hong Kong and international investors; and (2) For A shares listed on the ChiNext Market of SZSE, only those Hong Kong and international investors who are institutional professional investors ²
- Trading currency	RMB
- Daily quota	RMB 13 billion
- Clearing and other services	(1) ChinaClear will provide clearing and settlement services as the host CCP (central counterparty) in Mainland for the clearing and settlement of SZSE A-share trades and HKSCC’s participants with ChinaClear will be extended to allow it to clear and settle SZSE A-share trades executed through the northbound trading link as participating CCP; and (2) HKSCC will act as nominee holder for Hong Kong and international investors to hold SZSE A shares under an omnibus account maintained with ChinaClear.
- Risk management measures	Same as the risk management measures for the clearing and settlement of trades executed under the northbound trading link of Shanghai-Hong Kong Stock Connect, except that a Mainland Security Deposit rate of 18.5% will apply, which is consistent with ChinaClear’s requirements on the clearing and settlement of trades executed on SZSE.
	Southbound features
- Southbound order-routing entity	SZSE will establish a new subsidiary in Hong Kong to carry out the routing of orders from its participants to SEHK; the subsidiary will apply for the requisite authorization from the CSRC regarding its activities and for admission as a special participant of SEHK. It will also apply for authorization as an automated trading services provider from the SFC.

¹ Both indices include shares listed on the Main Board, the Small and Medium Enterprise Board and the ChiNext Market of SZSE.

² Institutional Professional Investors as defined in the relevant Hong Kong rules and regulations

- Eligible stocks	(1) All the constituent stocks of the Hang Seng Composite LargeCap and MidCap Indices; (2) Constituent stocks of the Hang Seng Composite SmallCap Index with market capitalization of not less than HKD 5 billion; and (3) All the H shares of SEHK-listed companies which have A shares listed on SZSE or the Shanghai Stock Exchange except H shares which have corresponding A shares under “risk alert” or delisting arrangement.
- Eligible investors	Mainland institutional investors and those individual investors who hold an aggregate balance of not less than RMB 500,000 in their securities and cash accounts.
- Trading currency	HKD
- Daily quota	RMB 10.5 billion
- Clearing and other services	(1) HKSCC will provide clearing and settlement services as the host CCP in Hong Kong for the clearing and settlement of trades executed on SEHK and ChinaClear’s participantship with HKSCC will be extended to allow it to clear and settle trades executed through the Shenzhen southbound trading link as participating CCP; and (2) ChinaClear will act as nominee holder for Mainland investors to hold SEHK-listed shares under an omnibus account maintained with HKSCC, which is separate from its existing omnibus account for Shanghai-Hong Kong Stock Connect.
- Risk management measures	Same as the risk management measures for the clearing and settlement of trades executed under the southbound trading link of Shanghai-Hong Kong Stock Connect.

B. Aggregate Quota

The Joint Announcement provides that no aggregate quota will be established for Shenzhen-Hong Kong Stock Connect and that the aggregate quota for Shanghai-Hong Kong Stock Connect will be abolished with immediate effect.

C. Expansion of Eligible Securities under Mutual Market Access

The Joint Announcement provides that to further expand investment choice and to facilitate foreign and domestic investments in the Mainland, the CSRC and the SFC have reached consensus to include exchange-traded funds (ETFs) as eligible securities for trading in the mutual market access scheme. A launch date will be announced separately after Shenzhen-Hong Kong Stock Connect

has been in operation for a period of time and upon the satisfaction of relevant conditions.

D. Expected Timeline

The formal launch of Shenzhen-Hong Kong Stock Connect will only take place after preparation for the relevant trading and clearing rules and systems has been finalised, all regulatory approvals have been granted, market participants have sufficiently adapted their operational and technical systems, and all necessary arrangements for cross-boundary regulatory and enforcement cooperation, as well as investor education, have been in place. It should take approximately four months from the date of the joint announcement to complete the above-mentioned preparations. A separate announcement will be made with respect to the formal launch date.

E. Participation in Shenzhen-Hong Kong Stock Connect

Subject to taking part in market rehearsals or technical tests and the submission of the necessary documentation and undertaking to SEHK, the New SEHK Subsidiary and/or HKSCC (as appropriate), existing China Connect Exchange Participants (“CCEPs”) and China Connect Clearing Participants (“CCCPs”) may participate in the northbound trading link and/or the northbound clearing link of Shenzhen-Hong Kong Stock Connect. Separate circulars will be published in due course providing details on market rehearsals/technical tests and specifying the required documentation and undertaking.

EPs who are not CCEPs but who wish to participate in the northbound trading link, and Participants of HKSCC who are not CCCPs but who wish to participate in the northbound clearing link of Shenzhen-Hong Kong Stock Connect and Shanghai-Hong Kong Stock Connect are required to submit applications for approval as CCEPs and/or CCCPs (as appropriate), comply with certain system and operational requirements and take part in market rehearsals or technical tests to ensure that they are operationally ready for participation. Where accepted, such applicants will be eligible to participate in both Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

The following seminars will be organized to provide EPs with further information:

	Dates
Seminar for business and operations staff of EPs	25/8, 26/8, 29/8, 31/8, 5/9

To enrol for these seminars, EPs are requested to complete and return the Contact Person Registration List and Enrolment Form ([Attachment 1](#)) to SEHK on or before 23 August 2016.

The Information Book and Frequently Asked Questions for Investors and Market Participants of Shenzhen-Hong Kong Stock Connect will be updated and posted on the HKEX website (<http://www.hkex.com.hk/chinaconnect>) for information.

Please send enquiries on trading arrangements to trd@hkex.com.hk and clearing and settlement arrangements to clg@hkex.com.hk. Other materials regarding Shenzhen-Hong Kong Stock Connect are available on the HKEX website at www.hkex.com.hk/chinaconnect.

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