

滬港通  
SHANGHAI - HONG KONG  
STOCK CONNECT

INFORMATION BOOK  
FOR INVESTORS

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**May 2014**

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## 1. Introduction

On 10 April 2014, the Securities and Futures Commission (SFC) and China Securities Regulatory Commission (CSRC) made a Joint Announcement (Joint Announcement) regarding the in-principle approval for the development of the Pilot Programme (Shanghai-Hong Kong Stock Connect) for the establishment of mutual stock market access between Mainland China and Hong Kong. It should take approximately six months from the date of the Joint Announcement to complete the preparation for formal launch.

Under Shanghai-Hong Kong Stock Connect, the Stock Exchange of Hong Kong Limited (SEHK), a wholly-owned subsidiary of HKEx, and Shanghai Stock Exchange (SSE) will establish mutual order-routing connectivity and related technical infrastructure (Trading Links) to enable investors of their respective market to trade shares listed on the other's market.

The Hong Kong Securities Clearing Company Limited (HKSCC), also a wholly-owned subsidiary of HKEx, and China Securities Depository and Clearing Corporation Limited (ChinaClear) will establish the Clearing Links to provide arrangements for the clearing and settlement of trades executed through the Trading Links and the provision of depository, nominee and other related services to investors in the Mainland and Hong Kong.

Shanghai-Hong Kong Stock Connect creates for the first time a feasible, controllable and expandable channel for mutual market access between the Mainland and Hong Kong by a broad range of investors, paving the way for further opening up of China's capital account and RMB internationalisation.

This information book provides specific information for investors investing via Shanghai-Hong Kong Stock Connect. It is not exhaustive and should be read in conjunction with the relevant documents on the programme available on the HKEx Website at [www.hkex.com.hk/chinaconnect](http://www.hkex.com.hk/chinaconnect).

## 2. Investor and Participant Eligibility

While all Hong Kong and overseas investors will be allowed to trade SSE Securities through Shanghai-Hong Kong Stock Connect, only Mainland institutional investors and those individual investors who satisfy the eligibility criteria (ie Individual investors who hold an aggregate balance of not less than RMB500,000 in their securities and cash accounts) will be accepted to trade SEHK Securities through Shanghai-Hong Kong Stock Connect.

Shanghai-Hong Kong Stock Connect will be open to all SEHK Exchange Participants (EPs), SSE Members, HKSCC's Clearing Participants (CPs), and ChinaClear Participants, subject to their meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house. The names of all eligible EPs and CPs will be published on the HKEx website.

## ➔ 3. Trading Arrangement

### 3.1. Trading Arrangement Overview

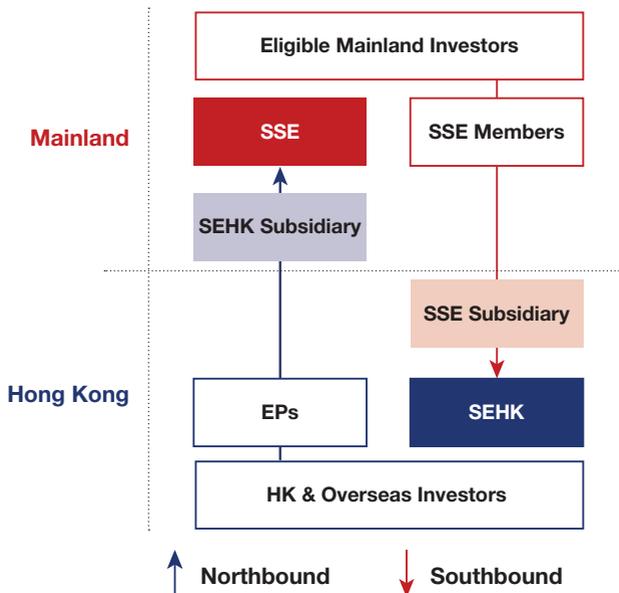
To facilitate Hong Kong and overseas investors trading in SSE Securities through Shanghai-Hong Kong Stock Connect (ie Northbound trading), SEHK will establish SEHK Subsidiary in Shanghai, whose principal function will be to receive orders to trade in SSE Securities from EPs and route them onto SSE's trading platform for matching and execution on SSE. Upon trade execution, trade confirmation received from SSE will be sent to EPs.

Same as the current arrangement for trading Hong Kong stocks, investors who want to participate in Shanghai-Hong Kong Stock Connect will trade through EPs. Investors should check with their EPs on any specific conditions that their EPs may require them to satisfy before accepting their Northbound orders.

Northbound trades will be executed on the SSE platform, and therefore will follow the SSE market practices in general. The following explain the market practices that will be applicable to Northbound trading.

Similar reciprocal arrangements will be adopted for Southbound trading (ie Mainland investors trading in SEHK Securities under Shanghai-Hong Kong Stock Connect).

**Figure 3.1: Illustration of Order Flow**



It is contemplated that both SEHK and SSE would reserve the right to suspend Shanghai-Hong Kong Stock Connect if necessary for ensuring an orderly and fair market and that risks are managed prudently. Suspension may be executed for a specific stock or all stocks of the relevant market(s). Consent from the relevant regulator would be sought before a suspension is triggered. The suspension mechanism and the circumstances under which suspension may be triggered are under discussion and are expected to be included in the operational agreements to be entered into between the parties. Market participants will be informed of the details as and when they become finalised.

## **3.2. Eligible Stocks for Shanghai-Hong Kong Stock Connect**

### **Eligible stocks to be included in Northbound trading**

Among the different types of SSE-listed securities, only A shares will be included in Shanghai-Hong Kong Stock Connect in the initial stage. Other product types such as B shares, Exchange Traded Funds (ETFs), bonds, and other securities will not be included.

In the initial phase, Hong Kong and overseas investors will be able to trade certain stocks listed on the SSE market (ie SSE Securities). These include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed A shares that are not included as constituent stocks of the relevant indices but which have corresponding H shares listed on SEHK, except the following:

- (a) SSE-listed shares which are not traded in RMB; and
- (b) SSE-listed shares which are included in the “risk alert board”<sup>1</sup>.

For any SSE-listed security which is not accepted as an SSE Security upon the launch of operation of Shanghai-Hong Kong Stock Connect due to its being under “risk alert”, if it is subsequently removed from the “risk alert board”, it will be accepted as an SSE Security if it remains as a constituent stock of the relevant indices or if its corresponding H share continues to be listed and traded on the SEHK (as appropriate).

Investors will only be allowed to sell an SSE Security but restricted from further buying if:

- (a) the SSE Security subsequently ceases to be a constituent stock of the relevant indices; and/or
- (b) the SSE Security is subsequently under “risk alert”; and/or
- (c) the corresponding H share of the SSE Security subsequently ceases to be traded on SEHK,

as the case may be.

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<sup>1</sup> According to the SSE Listing Rules, any SSE-listed company which is in the delisting process, or which operation is unstable due to financial or other reasons, to the extent that it is running the risk of being delisted or exposing investors' interest to undue damage, the SSE-listed company will be earmarked and traded on the “risk alert board”. For details, please refer to the SSE Listing Rules at [www.sse.com.cn/lawandrules/sserules/listing/stock/c/c\\_20131230\\_3760420.pdf](http://www.sse.com.cn/lawandrules/sserules/listing/stock/c/c_20131230_3760420.pdf), and SSE Risk Alert Board Provisional Trading Arrangement at [www.sse.com.cn/lawandrules/sserules/trading/stock/c/c\\_20121217\\_3669125.shtml](http://www.sse.com.cn/lawandrules/sserules/trading/stock/c/c_20121217_3669125.shtml).

In the case where a PRC company is seeking simultaneous listing on both SSE (as A share) and SEHK (as H share), the relevant A share will be accepted as an SSE Security after both the A share and H share have passed the stabilisation period as required by the respective exchanges or regulators.

In the case where an SSE-listed company whose A share is not accepted as an SSE Security seeks an H share listing on SEHK, the A share will be accepted as an SSE Security after the H share has passed the stabilisation period as required by the SFC. In the case where a PRC company whose share is listed on SEHK (as H share) seeks an A share listing on SSE, the A share will be accepted as an SSE Security after the A share has passed the stabilisation period as required by SSE. Where practicable, relevant announcements will be made to inform the market of the exact date of an individual stock becoming an SSE Security after the stabilisation period.

In the case where the corresponding H share of an SSE Security is suspended from trading on SEHK, whether investors will be allowed to further buy and/or sell the SSE Security which remains active on SSE is being considered by the relevant regulators. The final arrangement will be announced in due course.

Hong Kong and overseas investors may receive shares or other types of securities from the issuer of SSE Security as entitlements:

- (a) if the entitlement security is an SSE Security, Hong Kong and overseas investors will be allowed to buy and sell the entitlement security through Shanghai-Hong Kong Stock Connect;
- (b) if the entitlement security is not an SSE Security but is an SSE-listed security, Hong Kong and overseas investors will be allowed to sell the entitlement security through Shanghai-Hong Kong Stock Connect, but will not be allowed to buy such entitlement security; and
- (c) if the entitlement security is not an SSE-listed security, Hong Kong and overseas investors will not be allowed to buy or sell the entitlement security on SSE. HKSCC is considering alternative arrangements which could be put in place to handle such entitlement, and will update CPs in due course.

The full list of SSE Securities will be published on the HKEx website, which will be updated from time to time with advanced notice to the market.

## Eligible stocks to be included in Southbound trading

Through Shanghai-Hong Kong Stock Connect, Mainland investors will be able to trade the constituent stocks of the Hang Seng Composite LargeCap Index and Hang Seng Composite MidCap Index, and all H shares that are not included as constituent stocks of the relevant indices but which have corresponding shares in the form of SSE-listed Shares, except that the following will not be accepted as SEHK Securities upon the launch of operation of Shanghai-Hong Kong Stock Connect:

- (a) Hong Kong shares that are not traded in Hong Kong dollars (HKD); and
- (b) H shares which have corresponding shares listed and traded on an exchange in Mainland China other than SSE.

These eligible shares will collectively be referred to as “SEHK Securities”.

In the case where a company is seeking simultaneous listing on both SEHK (as H share) and SSE (as A share), the relevant H share will be accepted as an SEHK Security after both the H share and A share have passed the stabilisation period as required by the respective exchanges. In the case where an SEHK-listed company whose H share is not accepted as an SEHK Security seeks an A share listing on SSE, the H share will be accepted as an SEHK Security after the A share has passed the stabilisation period as required by SSE. In the case where an SSE-listed company whose share is not also listed on SEHK seeks an H share listing on SEHK, the H share will be accepted as an SEHK Security after the H share has passed the stabilisation period as required by SFC.

In the case where the corresponding A share of an SEHK Security is suspended from trading on SSE, whether Mainland investors will be allowed to further buy and/or sell the SEHK Security which remains active on SEHK is being considered by the relevant regulators, the final arrangement will be announced in due course.

Investors will only be allowed to sell an SEHK Security but restricted from further buying if:

- (a) the SEHK Security subsequently ceases to be a constituent stock of the relevant indices; and/or
- (b) the corresponding A share of the SEHK Security ceases to be traded on SSE; and/or
- (c) where the SEHK Security is an H share and the share of the issuer of such SEHK Security is subsequently listed on an exchange in the Mainland other than SSE,

as the case may be.

In the case where the corresponding A share of an H share is suspended from trading on SSE, whether buying will be allowed will be announced by SSE in due course.

The scope of the SSE Securities and the SEHK Securities may be amended from time to time as agreed by SSE and SEHK after consulting each other and after obtaining the consent of the relevant regulatory bodies.

### **3.3. Quota**

Trading under Shanghai-Hong Kong Stock Connect will, initially, be subject to a maximum cross-boundary investment quota (ie Aggregate Quota), together with a Daily Quota.

Northbound trading and Southbound trading will respectively be subject to a separate set of Aggregate and Daily Quota, which is monitored by SEHK and SSE respectively.

Both the Aggregate Quota and the Daily Quota will apply on a “net buy” basis. Under that principle, investors will always be allowed to sell their cross-boundary securities regardless of the quota balance.

SEHK will publish the remaining balance of the Northbound Aggregate Quota and Daily Quota at scheduled times on the HKEX’s website.

#### **Aggregate Quota**

The Aggregate Quota caps the absolute amount of fund inflow into Mainland under Northbound and the absolute amount of fund outflow from the Mainland under Southbound.

The Northbound Aggregate Quota is set at RMB300 billion. The Southbound Aggregate Quota is set at RMB250 billion.

At the end of each trading day, SEHK will calculate the remaining balance of the Northbound Aggregate Quota:

$$\text{Aggregate Quota Balance} = \text{Aggregate Quota} - \text{Aggregate Buy Trades} + \text{Aggregate Sell Trades}$$

If Aggregate Quota Balance is less than Daily Quota, Northbound buying will be suspended on the next trading day. However, investors can continue to sell SSE Securities, which will then increase the Aggregate Quota Balance. SEHK will re-open Northbound buying once the Aggregate Quota Balance returns to the Daily Quota level or above.

## Daily Quota

The Daily Quota limits the maximum net buy value of cross-boundary trades under Shanghai-Hong Kong Stock Connect each day. The Northbound Daily Quota is set at RMB13 billion, and the Southbound Daily Quota is set at RMB10.5 billion.

SEHK monitors the usage of the Northbound Daily Quota on a real time basis. The Northbound Daily Quota Balance is updated each time when a Northbound order is received and executed:

$$\text{Daily Quota Balance} = \text{Daily Quota} - \text{Buy Orders} + \text{Sell Trades} + \text{Adjustments}^2$$

Daily Quota will be refreshed and remain the same everyday, subject to the balance of the Aggregate Quota. Unused Daily Quota will NOT be carried over to next day's Daily Quota.

Once the Northbound Daily Quota Balance drops to zero or is exceeded during a continuous auction session (Continuous Trading), no further buy orders will be accepted for the remainder of the day. Subject to the Aggregate Quota Balance, SEHK will resume the Northbound buying service on the following trading day.

Once the Northbound Daily Quota Balance drops to zero or the Daily Quota is exceeded during the opening call session, new buy orders will be rejected. However, as order cancellation is common during opening call auction, the Northbound Daily Quota Balance may resume to a positive level before the end of the opening call auction. When that happens, SEHK will again accept Northbound buy orders.

It should be noted that buy orders already accepted will not be affected by the Daily Quota being used up and will remain on the order book of SSE unless otherwise cancelled by the relevant EPs.

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<sup>2</sup> Daily Quota Balance will be increased when a) a buy order is cancelled; b) a buy order is rejected by the other exchange; or c) a buy order is executed at a better price.

### 3.4. Trading Hours

Northbound trading will follow SSE's trading hours. However, SEHK will accept Northbound orders from EPs five minutes before the Mainland market session opens in the morning and in the afternoon.

| SSE Trading Session            | SSE Trading Hours | Time for EPs to input Northbound orders |
|--------------------------------|-------------------|---|
| Opening Call Auction           | 09:15-09:25       | 09:10-11:30                             |
| Continuous Auction (Morning)   | 09:30-11:30       |   |
| Continuous Auction (Afternoon) | 13:00-15:00       | 12:55-15:00                             |

09:20-09:25: SSE will not accept order cancellation;

09:10-09:15; 09:25-09:30; 12:55-13:00: Orders and order cancellations can be accepted by SEHK but will not be processed by SSE until SSE's market open;

Orders that are not executed during the opening call auction session will automatically enter the continuous auction session.

Southbound trading will follow SEHK's trading hours.

### 3.5. Holiday

In the initial stage of operation of Shanghai-Hong Kong Stock Connect, investors will only be allowed to trade on the other market on days where both markets are open for trading, and banking services are available in both markets on the corresponding settlement days. This arrangement is essential in ensuring that investors and brokers will have the necessary banking support on the relevant settlement days when they will be required to make payments.

The following table illustrates the holiday arrangement of Northbound trading of SSE Securities:

|       | Mainland       | Hong Kong      | Open for Northbound? |  |
|-------|----------------|----------------|----------------------|--|
| Day-1 | Business Day   | Business Day   | Yes                  |  |
| Day-2 | Business Day   | Business Day   | No                   | HK market closes on money settlement day |
| Day-3 | Business Day   | Public Holiday | No                   | HK market closes on trading day          |
| Day-4 | Public Holiday | Business Day   | No                   | Mainland market closes                   |

We will continue to explore with market players and the banking sector to consider the operational feasibility as well as market demand to support cross-boundary trading/ money settlement during holidays.

Similar arrangement will be adopted for Southbound trading.

### 3.6. Trading Currency

Hong Kong and overseas investors will trade and settle SSE Securities in RMB only.

Mainland investors will trade SEHK Securities in HKD only and settle the trades with ChinaClear or its clearing participants in RMB.

### **3.7. Order Types**

For Northbound trading, only limit orders (SSE limit orders can be matched at the specified or better price) will be accepted for SSE Securities throughout the day.

For Southbound trading, only at-auction limit orders will be accepted during the pre-opening session and only enhanced limit orders will be accepted during the continuous trading session.

### **3.8. Price Limit**

For SSE Securities, there is a general price limit of  $\pm 10\%$  (and  $\pm 5\%$  for stocks under special treatment (ie ST and \*ST stocks) in the risk alert board) based on previous closing price.

All orders input for SSE Securities must be at or within the price limit. Any orders with price beyond the price limit will be rejected by SSE. The upper and lower price limit will remain the same intra-day.

For SEHK Securities, trading will follow the existing quotation rules in place on SEHK.

### **3.9. Stock Code, Board Lot/Odd Lot, Order Size and Tick Size**

The stock codes of SSE Securities are six digits and investors should use SSE stock codes when placing orders. All SSE Securities are subject to the same trading board lot size, which is 100 shares (buy orders must be in board lot). Odd lot trading is only available for sell orders. It is common that a board lot buy order may be matched with different odd lot sell orders, resulting in odd lot trades. It should be noted that unlike Hong Kong, board lot and odd lot orders are both matched on the same platform on SSE, and subject to the same share price. The maximum order size is 1 million shares and the tick size is uniformly set at RMB0.01.

For Southbound trading, all orders will be subject to the board lot, order size and tick size requirements of SEHK. Mainland investors will only be allowed to input odd lot sell orders. It should be noted that odd lot trading in Hong Kong may likely be done at a price worse than the prevailing market price.

### **3.10. Day (Turnaround) Trading**

Day trading is not allowed for Mainland A shares market. Therefore, Hong Kong and overseas investors buying SSE Securities on T-day can only sell the shares on and after T+1 (see also Pre-trade Checking).

For Southbound trading, Mainland investors will be allowed to conduct day trading for Hong Kong stocks.

### **3.11. Block Trades**

For Northbound trading, block trade facility will not be available.

For Southbound trading, there is no block trade facility.

### **3.12. Manual Trades**

For Northbound trading, there is no manual trade facility.

For Southbound trading, manual trade will not be available.

### **3.13. Short Selling, Margin Financing and Stock Borrowing and Lending**

Hong Kong and overseas investors are prohibited from naked short selling in SSE Securities, and will not be allowed to participate in the Mainland's margin trading and securities lending.

### **3.14. Pre-trade Checking**

Currently, Mainland investors are only allowed to sell A shares which are available in their stock accounts at the end of the previous day. Based on the shareholdings of an investor, SSE will reject a sell order if the investor does not have sufficient shares in his account.

For Northbound trading, SEHK will apply similar checking on all Northbound sell orders at the EP level to ensure there is no overselling by individual EPs. Sell orders will be rejected if the cumulative sell quantity for the day is higher than the EP's shareholding position at T-1 day-end. Therefore, when placing sell orders, investors must ensure they have sufficient shares in their accounts opened with the EP who acts as the selling broker. If the shares are kept in an account opened with another EP or a custodian, investors must first transfer the shares to the selling EP on T-1 in order to sell their shares on T day.

For Southbound trading, SSE will adopt the existing pre-trade checking to the Mainland investors when they trade SEHK securities.

### 3.15. Disclosure Obligations

Under the current PRC rules, when an investor holds or controls up to 5% of the issued shares of an SSE-listed issuer, the investor is required to disclose his interest within three working days. Such investor may not buy or sell the shares in the listed issuer within the three-day period.

For such investor, every time when there is an increase or decrease in his shareholding by 5%<sup>3</sup>, he is required to make a disclosure within three working days. From the day the disclosure obligation arises to two working days after the disclosure is made, the investor may not buy or sell the shares in the listed issuer.

If a change in shareholding of the investor is less than 5% but results in the shares held or controlled by him falling below 5% of the issued shares in the listed issuer, the investor is required to disclose the information within three working days.

For the avoidance of doubt, we expect HKSCC as the nominee holding SSE Securities on behalf of Hong Kong and overseas investors to be exempted from the disclosure requirement.

### 3.16. Severe Weather Conditions

In the initial stage, the trading arrangement under severe weather conditions will be as follows:

- (a) For Northbound trading,
  - i. If SSE is suspended due to bad weather, there will be no trading on the Northbound and Hong Kong investors and EPs will be informed by SEHK;
  - ii. If typhoon signal no. 8 (or above) and/or black rainstorm warning is issued in Hong Kong before Hong Kong market opens, Northbound trading will not open. If the signal/warning is subsequently discontinued on the same day, arrangement for the resumption of Northbound trading will follow that for the SEHK market (detailed arrangement is available on the HKEx website at [www.hkex.com.hk/eng/market/typhoons/tradingarrangement.htm](http://www.hkex.com.hk/eng/market/typhoons/tradingarrangement.htm));

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<sup>3</sup> The 5% change means the actual magnitude of the net change of its shareholding as a percentage of the total issued share capital of the company (eg an increase from 10% to 15% or decrease from 10% to 5%).

- iii. if typhoon no. 8 (or above) is issued in Hong Kong after Hong Kong market opens but before SSE market opens (between 9am and 9:15am), Northbound trading will not open; and
- iv. If typhoon signal no. 8 (or above) is issued in Hong Kong after SSE market has opened, arrangements will be made to ensure that there is sufficient time for EPs to cancel all outstanding orders remaining in SSE's trading system before closing the Northbound trading. Details will be announced in due course.

| Scenarios  | Northbound Trading of SSE Securities      | Hong Kong Market today                       |
|--|---|--|
| T8/Black rainstorm issued before HK market opens (ie 9:00am) | Not open                                  | Not open                                     |
| T8 issued between 9:00am and 9:15am                          | Not open                                  | Trading terminates after Pre-opening Session |
| T8 issued after SSE market opens (ie 9:15am)                 | Arrangement to be announced in due course | Trading terminates in 15 minutes             |
| Black rainstorm issued after HK market opens (ie 9:00am)     | Trading continues as normal               | Trading continues as normal                  |
| T8/Black rainstorm discontinued at or before 12:00 noon      | Trading resumes after 2 hours             | Trading resumes after 2 hours                |
| T8/Black rainstorm discontinued after 12:00 noon             | Not open                                  | Not open                                     |

Similar to the holiday arrangement, we will further consider whether there is any alternative arrangement or enhancement that can be done and will engage the market as appropriate.

(b) For Southbound trading arrangement, it will be announced by SSE in due course.

For details of the existing typhoon/rainstorm procedure for Hong Kong market, please refer to the HKEx website:

[www.hkex.com.hk/eng/market/typhoons/Trading\\_Arrangements\\_During\\_Typhoon\\_and\\_Black\\_Rainstorm.htm](http://www.hkex.com.hk/eng/market/typhoons/Trading_Arrangements_During_Typhoon_and_Black_Rainstorm.htm).

## **➔ 4. Clearing, Settlement and Depository Arrangement**

### **4.1. Clearing and Settlement Arrangement Overview**

HKSCC and ChinaClear will enter into an agreement to establish Clearing Links, whereby the two parties will undertake to the other to perform their settlement obligations in respect of the Northbound and Southbound trades.

For Northbound trades, ChinaClear will act as the host Central Counterparty (CCP) and HKSCC will be a participant of ChinaClear. HKSCC will take up settlement obligations of its Clearing Participants (CPs) in respect of Northbound trades and settle the trades directly with ChinaClear in the Mainland.

Vice versa for Southbound trades, HKSCC will be the host CCP and ChinaClear will be its Clearing Agency Participant. ChinaClear will take up settlement obligations of its clearing participants in respect of Southbound trades and settle the trades with HKSCC in Hong Kong.

### **4.2. Clearing and Settlement Cycle**

Northbound trades will follow the A share settlement cycle. For securities settlement, ChinaClear will debit or credit its participants' (including HKSCC as clearing participant) stock accounts before 6:00pm on T day to settle their A share trades. To facilitate A share settlement cycle, HKSCC will conduct securities settlement on Northbound trades for its CPs via two rounds of Batch Settlement Runs at around 4:30pm and 6:00pm on T day.

Money settlement for Northbound trades will be effected by around noon on T+1 day.

Investors should consult their brokers on their stock and money settlement arrangement with respect to Northbound trading, which may not exactly follow the ChinaClear and HKSCC time schedule as explained above.

### **4.3. Stock Transfer**

In the initial stage of the operation of Shanghai-Hong Kong Stock Connect, Hong Kong and overseas investors who have acquired SSE Securities through Northbound trading should maintain the SSE Securities with their brokers or custodians' CCASS stock accounts. CCASS Participants can transfer SSE Securities between their CCASS stock accounts by way of Settlement Instructions (SIs).

For the avoidance of doubt, Investor Participants (IPs) account will not be available for SSE Securities custody in the initial stage.

### **4.4. Depository Services**

Since SSE Securities are issued in scripless form, physical deposits and withdrawals of SSE Securities into/from the CCASS Depository will not be available.

As explained above, Hong Kong and overseas investors can only hold SSE Securities through their brokers/custodians. Their ownership of such is reflected in their brokers/custodians' own records such as client statements.

### **4.5. Nominee Services and Corporate Actions**

HKSCC will extend its existing nominee services to CCASS Participants/investors for their SSE Securities held in CCASS as far as practicable.

HKSCC will keep CCASS Participants informed of the corporate actions of SSE Securities, in particular those that require CCASS Participants/investors to take actions. CCASS Participants/investors should note that the time for them to take actions for some types of corporate actions of SSE Securities may be as short as one business day only. Common types of corporate actions of SSE Securities include but are not limited to cash dividend, bonus issues and voting etc.

HKSCC will endeavor to collect and distribute cash dividends relating to SSE Securities to CCASS Participants in a timely manner. Upon receipt of the dividend amount on payment date, HKSCC will to the extent practicable arrange to distribute to the relevant CCASS Participants on the same day.

HKSCC will advise CCASS Participants of all general meeting details such as meeting date, time, venue and the number of resolutions relating to SSE Securities. CCASS Participants who have relevant holdings in their stock account as at the record date can vote via CCASS's existing voting functions. HKSCC will consolidate the voting instructions from CCASS Participants and endeavor to submit a combined single voting instruction to the relevant SSE-listed company via the designated on-line voting platform.

It is worth noting that multiple proxies are not available in the Mainland market today. Following the existing Mainland market practice, Hong Kong and overseas investors being the beneficial owners of SSE Securities will not be able to attend meetings as proxy in person, as opposed to what they can do in Hong Kong if they hold SEHK-listed shares.

It is currently contemplated that Shanghai-Hong Kong Stock Connect will not support initial public offering. We will further inform the market of the arrangements pertaining to other depository and nominee services under the programme, including for instance secondary market fund raising events.

Hong Kong and overseas investors should note and comply with the arrangement and deadline specified by their respective brokers or custodians (ie CCASS Participants) in order to participate in the corporate actions relating to their SSE Securities.

#### **4.6. Clearing and Settlement Currency**

HKSCC will settle Northbound trades with CPs in RMB. HKSCC will also settle the same with ChinaClear in RMB.

### **➔ 5. Clearing Risk Management**

HKSCC and ChinaClear will establish the Clearing Links and each will become a clearing participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfill the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

ChinaClear will generally apply its existing risk management measures on HKSCC's unsettled positions on SSE Securities. HKSCC will in turn adapt ChinaClear's risk management measures and impose them on CPs trading SSE Securities. These risk management measures are largely similar to those imposed by ChinaClear on its other clearing participants.

To avoid risk spill-over across the border, both HKSCC and ChinaClear will not participate in each other's mutualised risk management pools (eg default fund) that are normally contributed by their home market clearing participants<sup>4</sup>. As such, ChinaClear will not contribute to the HKSCC Guarantee Fund and ChinaClear will not be required to share any default loss of CPs. CPs' Guarantee Fund contributions will not be utilised to offset close-out loss in ChinaClear's default.

Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC's liabilities in Northbound trades under its market contracts with CPs will be limited to assisting CPs in pursuing their claims against ChinaClear. HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation process, if applicable. HKSCC will in turn distribute the stocks or monies recovered to CPs on a pro-rata basis.

## **6. Market Information**

### **6.1. Market Data**

Currently, EPs, system vendors and Hong Kong and overseas investors may source real time market data of SSE via licensed information vendors, a list of which is available on the website of China Investment Information Services Limited established in Hong Kong, which is the authorised international sole agent of SSE information. Investors can also access real time market data through internet. The licensed vendor for market data is published on the website of SSE Infonet Ltd., Co.

Similarly, SSE Members, system vendors and Mainland investors may also source market data of SEHK via HKEx licensed information vendors who are providing data services in the Mainland. There are also 24 information vendors providing real time basic market prices (BMP) to investors in Hong Kong, the Mainland and overseas for free. The list of such vendors and their websites is available on HKEx website.

SEHK and SSE are exploring whether there are other alternative arrangements available and will announce to the market in due course.

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<sup>4</sup> Subject to further discussion with the relevant Mainland authorities, HKSCC may be required to contribute to the Mainland Clearing Risk Fund, which is operated on a mutualised basis. HKSCC is working with ChinaClear to either (i) seek exemption from contributing to the Mainland Clearing Risk Fund and instead contribute to a slightly higher level of Mainland Security Deposit, or (ii) ring-fence HKSCC's contribution from loss sharing. Updates on the results of discussion with our Mainland counterparts will be shared with our CPs in due course.

## **6.2. Company Announcements on Corporate Actions**

All approved corporate actions of SSE Securities will be announced by the issuers through the SSE website and four officially appointed newspapers (both the printed papers and their websites): the Shanghai Securities News, Securities Times, China Securities Journal and Securities Daily. HKSCC will also record all corporate actions relating to SSE Securities in CCASS and advise CCASS Participants of the details via the CCASS terminals as soon as practicable on the announcement date. Hong Kong and overseas investors can visit the SSE and newspaper websites for the latest listed company announcements.

Hong Kong and overseas investors can also visit HKEx website's China Stock Markets Web for the company announcements of SSE Securities issued on the previous trading day.

Hong Kong and overseas investors trading SSE Securities through Shanghai-Hong Kong Stock Connect should note that SSE-listed issuers will continue to publish corporate documents in Chinese only as their current practice, and English translation will not be available.

## **➔ 7. Fees and Levies**

Hong Kong and overseas investors trading SSE Securities under Shanghai-Hong Kong Stock Connect will be subject to SSE's Handling Fee and Securities Management Fee, together with ChinaClear's "Transfer Fee".

Investors should note that certain existing CCASS fees still apply, including stock settlement fee for settlement instructions and money settlement fee. Subject to SFC's approval, HKSCC will also impose a "New CCASS Fee" on its CCASS Participants for providing depository and nominee services for their SSE Securities held in CCASS. Details of the new fee will be announced later.

Besides, taxes imposed by the State Administration of Taxation (SAT), including stamp duty and dividend tax will also be applied to the Northbound trades and SSE Securities acquired through Shanghai-Hong Kong Stock Connect. Any additional tax imposed by the SAT, if applicable, will be subject to further clarification with the SAT.

Fees and levies related to Northbound trades under Shanghai-Hong Kong Stock Connect are as follows:

| Items                     | Rate   | Charged by |
|---------------------------|--|------------|
| Handling Fee              | 0.00696% of the consideration of a transaction per side      | SSE        |
| Securities Management Fee | 0.00200% of the consideration of a transaction per side      | CSRC       |
| Transfer Fee              | 0.06000% on face value per side                              | ChinaClear |
| Stamp Duty                | 0.10000% of the consideration of a transaction on the seller | SAT        |

All the above fees and levies will be collected from CCASS Participants' designated bank accounts at day-end of T day.

Fees and taxes to be confirmed with the relevant regulators/authorities:

| Items            | Description  | Charged by |
|------------------|--|------------|
| New CCASS Fee    | <ul style="list-style-type: none"> <li>A new fee for providing depository and nominee services to CPs for SSE Securities</li> <li>Subject to SFC's approval</li> </ul> | HKSCC      |
| Dividend Tax     | <ul style="list-style-type: none"> <li>Applicable to cash dividend and bonus issue</li> <li>Subject to clarification with SAT</li> </ul>                               | SAT        |
| Capital Gain Tax | <ul style="list-style-type: none"> <li>Applicable to share disposal</li> <li>Subject to clarification with SAT</li> </ul>  | SAT        |

Dividend tax will be withheld by issuers of SSE Securities and ChinaClear upon dividend payment. The New CCASS Fee, if implemented, will be collected in HKD on a monthly basis.

## ➔ 8. Cross-boundary Regulatory Framework

According to the Joint Announcement, both the CSRC and the SFC will actively enhance cross-boundary regulatory and enforcement cooperation. Each of them will take all necessary measures to establish, in the interests of investor protection, an effective regime under the Shanghai-Hong Kong Stock Connect to respond to all misconduct in either or both markets on a timely basis. The CSRC and the SFC will improve the current bilateral agreement to strengthen enforcement cooperation in respect of the following areas:

- (a) Referral and information exchange mechanisms concerning improper activities;
- (b) Investigatory cooperation in relation to cross boundary illegal activities including disclosure of false or misleading information, insider dealing and market manipulation;
- (c) Bilateral enforcement exchange and training; and
- (d) Enhancement of general standards of cross-boundary enforcement cooperation.

The Joint Announcement further notes that the two Commissions will establish a dedicated liaison mechanism for Shanghai-Hong Kong Stock Connect to deal with any issues that may be encountered during the pilot programme which may require joint resolution.

## ➔ 9. Expected Timeline

Launch of Shanghai-Hong Kong Stock Connect will only take place once relevant trading and clearing rules and systems have been finalised, all regulatory approvals have been granted, market participants have had sufficient opportunity to configure and adapt their operational and technical systems. All necessary investor education programmes must also be in place.

It should take approximately six months to complete the preparation for formal launch.

## ➔ 10. Enquiries and Others

For queries and comments on Shanghai-Hong Kong Stock Connect, please write to

Hong Kong Exchanges and Clearing Limited  
12/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

Re: **Information Book on Shanghai-Hong Kong Stock Connect**

Alternatively please contact us by e-mail at [info@hkex.com.hk](mailto:info@hkex.com.hk).

## ➔ 11. Glossary

|                        |   |
|------------------------|---|
| CCASS                  | the Central Clearing and Settlement System operated by HKSCC for the clearing of securities listed or traded on SEHK  |
| CCASS Participant      | a person registered as a participant of HKSCC under one of the categories of participation specified in the CCASS Rules   |
| CCASS Rules            | the Rules and Operational Procedures of HKSCC, as amended from time to time   |
| CCP                    | central counterparty  |
| ChinaClear             | China Securities Depository and Clearing Corporation Limited  |
| ChinaClear Participant | a person who is registered as a clearing participant of ChinaClear  |
| Clearing Links         | the linkage to be established between HKSCC and ChinaClear under which HKSCC and ChinaClear will act as participating CCPs and provide depository and nominee services to their respective participants in respect of SSE Securities and SEHK Securities executed through the Trading Links |
| CSRC                   | China Securities Regulatory Commission  |
| HKEx                   | Hong Kong Exchanges and Clearing Limited  |
| HKSCC                  | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of HKEx  |
| IP                     | Investor Participant, a type of HKSCC Participant   |
| Northbound             | the trading of SSE Securities by Hong Kong and international investors through the Trading Link   |
| QFII                   | Qualified Foreign Institutional Investor  |
| RQFII                  | Renminbi Qualified Foreign Institutional Investor   |

|                                  |  |
|----------------------------------|--|
| SEHK                             | The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of HKEx   |
| SEHK Participant                 | a person who may trade on or through SEHK and whose name is entered in a list, register or roll kept by SEHK as such   |
| SEHK Subsidiary                  | SEHK's wholly-owned subsidiary to be incorporated in Shanghai for Shanghai-Hong Kong Stock Connect   |
| SEHK Securities                  | securities listed and traded on SEHK which may be traded by Mainland investors under Shanghai-Hong Kong Stock Connect  |
| SFC                              | the Securities and Futures Commission of Hong Kong   |
| Shanghai-Hong Kong Stock Connect | a securities trading and clearing links programme to be developed by SEHK, SSE, HKSCC and ChinaClear for the establishment of mutual market access between Hong Kong and Shanghai  |
| SSE                              | the Shanghai Stock Exchange  |
| SSE-listed Shares                | shares which are from time to time accepted for listing and admitted to trading on SSE   |
| SSE Member                       | a person who is registered as a broker member of the SSE   |
| SSE Securities                   | securities listed and traded on SSE which may be traded by Hong Kong and overseas investors under Shanghai-Hong Kong Stock Connect   |
| SSE Subsidiary                   | SSE's subsidiary incorporated in Hong Kong for Shanghai-Hong Kong Stock Connect  |
| Southbound                       | the trading of SEHK Securities by Mainland investors through the Trading Link  |
| Trading Links                    | the linkage to be established between SEHK and SSE under which Hong Kong and overseas investors may trade SSE Securities through SEHK Subsidiary and under which Mainland investors may trade SEHK Securities through SSE Subsidiary |



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