# Explanatory Notes of Securities Borrowing and Lending ("SBL") Monthly Report for China Connect Securities (Shenzhen-Hong Kong Stock Connect)

## Notes to Exchange Participants ("EPs")

1. This SBL Monthly Report for China Connect Securities (Shenzhen-Hong Kong Stock Connect) ("Report") should be filled in by (i) China Connect EPs (CCEPs) or (ii) EPs referred to in Rule 590(1) ("Trade-Through EPs"), who have **submitted** the "Undertaking by China Connect Exchange Participants Lending China Connect Securities to Clients (Shenzhen-Hong Kong Stock Connect)" and/or a "Confirmation by China Connect Exchange Participants Borrowing China Connect Securities (Shenzhen-Hong Kong Stock Connect)" to the Exchange.

2. CCEPs and Trade-Through EPs are advised to read carefully Rules 14B15 and 14B16 of the Rules of the Exchange and refer to the instructions in the table below when filling in the Report.

3. Before filling in the form, please also note the following:

   a. if there are two lenders involved in an item to be reported and both of them are CCEPs and/or Trade-Through EPs, it will be the responsibility of the borrowing CCEP and/or Trade-Through EP to report the SBL arrangement to the Exchange. The lending CCEP and/or Trade-Through EP will need to provide a declaration to the borrowing CCEP and/or Trade-Through EP in accordance with Rule 14B(16)(11) of the Rules of the Exchange;

   b. if there are two lenders involved in an item to be reported, the number of shares/ units lent to Borrower by Lender 1 (in column I) and to Lender 1 by Lender 2 must be the same;

   c. the duration for SBL arrangement for the purpose of pre-trade checking is 1 day and non-renewable. If the borrowed shares/ units are returned to the lender on the following trading day, the return of shares/ units must be completed before the commencement of trading of SZSE;

   d. the duration of SBL arrangement for the purpose of short selling must not exceed one calendar month. If such SBL arrangement is rolled over to the following month, it is deemed to be closed and all borrowed shares/ units are deemed to be returned to the Lender. CCEPs and Trade-Through EPs should therefore treat the original SBL arrangement as closed and all shares/ units returned. The rolled over SBL arrangement will be deemed as a new arrangement with the new date of borrowing. However, it should be marked with "Y" in column (R) indicating that it is a rollover arrangement and the original date of borrowing must be input in column (S);

   e. if in any circumstances where the Borrower fails to return the shares/ units, or uses

monetary or other replacements etc instead of returning the shares/ units, the SBL arrangement will then deem to be closed. The reporting CCEP and/or Trade-Through EP should explain the case in the Remarks section with the corresponding item number marked;

    f.   in case there are outstanding borrowed shares/ units not yet returned to the Lender before the end of the reporting month, the outstanding items must be repeated in the following reporting month; and

    g.   in case there is no SBL arrangement has been made during a month, CCEPs and/or Trade-Through EPs are still need to provide a Nil return to the Exchange.

4. The completed Excel spreadsheet must contain the file name SZSBL_NNNNN_YYYYMM.xls where:

    a.  NNNNN represents the 4-digit Firm ID with a leading zero (e.g. 09999)
    b.  YYYY represents the year (e.g. 2016)
    c.  MM represents the 2-digit reporting month (e.g. 11 for November)

As such, the file name for a CCEP with Firm ID 9999 for the SBL reporting of the month of November 2016 will be SZSBL_09999_201611.xls.

Since only xls file extension is supported, CCEPs and/or Trade-Through EPs must save the file to xls before submission. Alternatively, they can press the Extract button on the template which will help them convert the file name automatically to the above.

5. The completed Report should be submitted to the Exchange via Electronic Communication Platform (ECP) on or before the 7th day of the following calendar month. To submit the Report, CCEPs and/or Trade-Through EP should use the User ID belonging to the TO group (i.e. the same one used for downloading CBBC MCE trade file) to log into ECP.

| Column | Description | Mandatory |
|---|---|---|
| A. Item | Sequential serial number which should start from 1 on every Report | Yes |
| B. Stock Code | The 6-digit stock code of the China Connect Security | Yes |
| C. Name | Name of the China Connect Security | Yes |
| D. Purpose | –   Purpose of the SBL<br>–   Fill in either A or B:<br>    A: For pre-trade checking<br>    B: For short selling | Yes |
| E. Name of Borrower | –   Full name of the Borrower<br>–   A borrower can only be one of the following:<br>    i.   CCEP's or Trade-Through EP's client<br>    ii.  CCEP or Trade-Through EP itself for | Yes |

| Column | Description | Mandatory |
|---|---|---|
| | proprietary trading | |
| F. Name of Lender 1 | – Full name of Lender 1<br><br>– Lender 1 can only be one of the following:<br><br>  i. If the Borrower is a client of CCEP or Trade-Through EP, Lender 1 must be the CCEP or Trade-Through EP who files this Report<br><br>  ii. If the Borrower is the reporting CCEP or Trade-Through EP, Lender 1 must be another CCEP or Trade-Through EP, a Non-registered EP or a Qualified Institution | Yes |
| G. Source of securities (Lender 1) | – Source of shares/ units of Lender 1<br><br>– Fill in either A or B:<br><br>  A: Security belonging to Lender 1<br><br>  B: Source from another party (which must be one of the parties mentioned in 6 ii above)<br><br>– If a part of the borrowed security lent is from Lender 1's own inventory, and part of it is from another party, Lender 1 should report the borrowing and lending as two separate items | Yes |
| H. Date of Borrowing | The date on which the Borrower borrows the security | Yes |
| I. Number of shares/ units borrowed | Number of shares/ units that the Borrower borrows | Yes |
| J. Date of Return | – The date on which the Borrower returns the security to Lender 1<br><br>– If the shares/ units are not yet returned, please leave it blank<br><br>– If the shares/ units are returned in different batches, write the date of the latest batch | Yes |
| K. Number of shares/ units returned | – The total number of shares/ units returned to Lender 1<br><br>– If the shares/ units are not yet returned, please mark **0**<br><br>– If the shares/ units are returned in different batches, input the total number of shares/ units returned under different batches | Yes |
| L. Number of O/S shares/ units | – Number of outstanding borrowed shares/ units of Borrower<br><br>– Output field<br><br>– Number of O/S shares/ units = Number of shares/ units borrowed (in I) – Number of shares/ units returned (in K) | N.A. |

| Column | Description | Mandatory |
|---|---|---|
| M. Name of Lender 2 | – Full name of Lender 2<br>– Fill in this field only when the shares/ units of Lender 1 is sourced from another party (i.e. Lender 2)<br>– Lender 2 must be an EP or a qualified institution<br>– Shares/ units lent by Lender 2 must be its own shares/ units | When necessary |
| N. Date of Borrowing | The date on which Lender 1 borrows the security from Lender 2 | When necessary |
| O. Date of Return | – The date on which Lender 1 returns the security to Lender 2<br>– If the shares/ units are not yet returned, please leave it blank<br>– If the shares/ units are returned in different batches, write the date of the latest batch | When necessary |
| P. Number of shares/ units returned | – The total number of shares/ units returned to Lender 2<br>– If the shares/ units are not yet returned, please mark **0**<br>– If the shares/ units are returned in different batches, input the total number of shares/ units returned under different batches | When necessary |
| Q. Number of O/S shares/ units | – Number of outstanding borrowed shares/ units of Lender 1<br>– Output field<br>– Number of O/S shares/ units = Number of shares/ units borrowed (in I) – Number of shares/ units returned (in P) | N.A. |
| R. Rollover | – Indicator of whether the SBL arrangement is rolled over<br>– If it is rolled over, please mark **Y**<br>– If it is not rolled over, please mark **N** | When necessary |
| S. Original date of borrowing (Borrower) | – The original date on which the Borrower borrows the security for the first time<br>– If Column (R) is Y, this field must be input | When necessary |