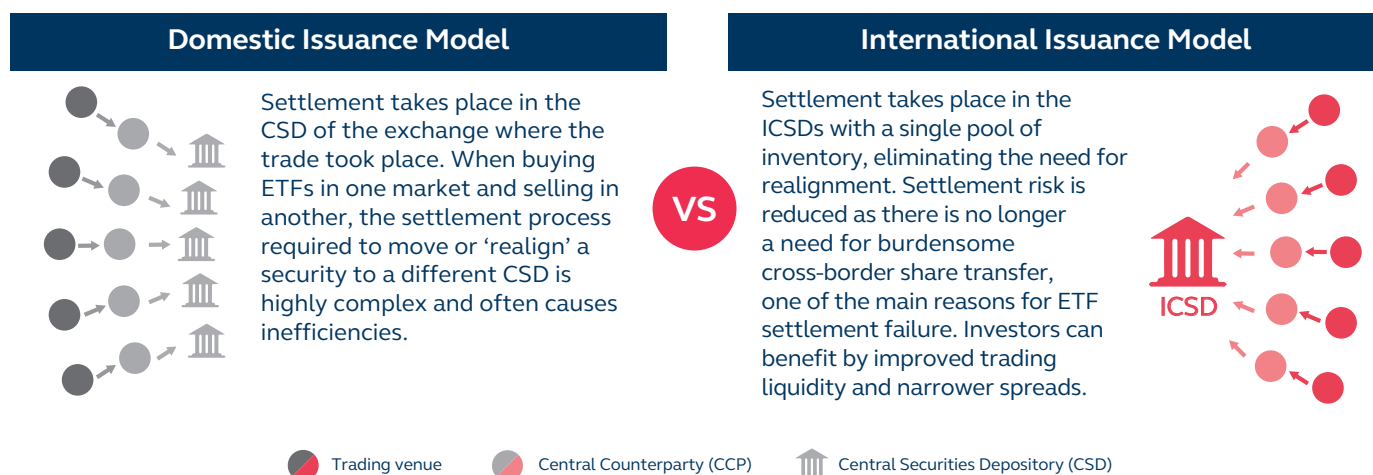


The introduction of the international central securities depository (ICSD) ETF settlement model¹ in Hong Kong is a step towards seamless movements of ETFs across international stock exchanges. By introducing the ICSD ETF settlement model, ETF shares issued in ICSD and cross-listed onto Hong Kong Exchanges and Clearing Limited (HKEX) are fungible between markets, which could improve settlement efficiency and enhance liquidity. The ICSD model could help European ETF issuers expand their distribution network into Asia through Hong Kong – Asia’s ETF marketplace.

THE INTERNATIONAL ETF MODEL



ICSD POST-TRADE PROCESSING



PRE-REQUISITES TO LIST ETFs IN HONG KONG UNDER THE ICSD MODEL

To list in Hong Kong

- An ETF issuer must fulfil the requirements by the Securities and Futures Commission (SFC) as a management company³
- Issuers of L&I Product are required to fulfil additional requirements⁴

To list under ICSD

- An issuer must hold an account in Euroclear Bank
- Issuer must appoint at least one Securities Market Maker (SMM) or Designated Specialist (DS) who has an account in Euroclear Bank for each ETF
- (Optional) consult Euroclear Bank on the operation of ICSD before applying

¹ ICSD model applies to Exchanged Traded Funds (ETFs) and Leveraged and Inverse Products (L&I Products)

² To deliver/receive securities to/from your account in Euroclear Bank, you need to input an against-payment or free-of-payment instruction against CCASS’s account 24748 in Euroclear Bank. Instructions can be free of payment receipt or delivery instructions.

³ Refer to “Chapter 5 Management company and auditor” of the “Code of Unit Trust and Mutual Funds” (see QR code on back page)

⁴ Refer to SFC’s “Circular on Leveraged and Inverse Products” (see QR code on back page)

LIST ETF IN HONG KONG IN 5 STEPS

The listing process generally takes 3-6 months, depending on the complexity of the ETF to be listed. The timeline below is for reference only.

STEP

1



Authorisation by the SFC

Standard applications: 1-2 months; non-standard applications: 2-3 months[^]

- Authorisation by the SFC is required for all ETFs listed in Hong Kong
- The “**Code on Unit Trusts and Mutual Funds**” establishes guidelines for the authorisation of collective investment schemes including ETFs
- For L&I Products, the SFC’s “**Circular on Leveraged and Inverse Products**” sets out additional requirements for SFC authorisation. Please visit the SFC website for further details

STEP

2



Application for clearing

In parallel with steps 1 to 4

- ETF issuers and trustees apply to HKSCC for the admission of the ETF units as eligible securities for deposit, clearing and settlement
- Contact Clearing Service (clearings@hkex.com.hk) in parallel with seeking SFC authorisation

STEP

3



Application for listing

2-4 weeks

- After obtaining the SFC’s authorisation with conditions, a formal listing application of ETFs can be submitted to the **Listing Division of HKEX** for listing on the Stock Exchange of Hong Kong (SEHK)
- Listings of ETFs are regulated under **Chapter 20 of the Listing Rules**

STEP

4



Admission for market making

~2 weeks

- Each ETF should have at least one market maker to ensure sufficient liquidity
- After obtaining the SFC’s authorisation with conditions, ETF issuers are advised to contact HKEX’s ETF team on market making arrangements at ETFs@hkex.com.hk

STEP

5



List in Hong Kong

2-4 weeks

- ETF ready to be listed on SEHK*
- As one of the ongoing obligations, all ETF issuers are required to submit a daily report for their ETFs to disclose information including NAV and AUM

[^]For the definitions of standard and non-standard applications, please refer to SFC’s *Revamped Fund Authorisation Process* published on 13 & 20 October 2015

*Prior to listing, the ETF issuer, as a manager, trustee (or custodian as the case maybe), registrar, Participating Dealers and its agent (where applicable) and any other relevant parties are required to sign a service level agreement with HKSCC and Hong Kong Conversion Agency Services Limited.

Code on Unit Trusts
and Mutual Funds



Circular on Leveraged
and Inverse Products



Contact HKEX
Listing Division



Main Board
Listing Rules



Contact HKEX ETF Team:
ETFs@hkex.com.hk

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