

Product Leaflet

Stock Connect

Gain easy access to China A-shares and Mainland-listed ETFs

Stock Connect is the Hong Kong-Mainland mutual market access channel that allows Hong Kong and overseas investors to trade eligible China A-shares and ETFs listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange. At the same time, it allows Mainland investors to trade eligible Hong Kong shares and ETFs listed on HKEX, through the trading and clearing facilities of the corresponding markets.

	Shanghai Stock Exchange (SSE)	Shenzhen Stock Exchange (SZSE)
Number of eligible A-shares ¹	1,331	1,432
Number of eligible ETFs ²	143 For the eligibility criteria of ETFs, please refer to HKEX's website (link)	82
Eligible A-shares ^{3,4}	<ul style="list-style-type: none"> The constituent stocks of the SSE A Share Index that fulfil all of the relevant criteria at any Half-yearly Review, Monthly Review or Differentiated Voting Rights (DVR) Stock Review, as the case may be 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 the Stock Exchange of Hong Kong (SEHK) <p>For the eligibility criteria of A-shares, please refer to the Stock Connect Information Book for Market Participants - Sections 3.8 and 3.19 (link)</p>	<ul style="list-style-type: none"> SZSE-listed A-shares of the SZSE Composite Index that fulfil all of the relevant criteria at any Half-yearly Review, Monthly Review or DVR Stock Review, as the case may be All the SZSE-listed A-shares that are not included as constituent stocks of the relevant indices but which have corresponding H-shares listed on SEHK

Investor eligibility

Except ChiNext stocks of SZSE and STAR stocks of SSE, which may only be traded by institutional professional investors (subject to regulatory change), Hong Kong and overseas investors are allowed to trade eligible securities through Shanghai and Shenzhen Connect.

Trading hours

Northbound trading follows SSE's and SZSE's trading hours. However, SEHK will accept Northbound orders five minutes before the Mainland market sessions open in the morning and in the afternoon.

Trading currency

Hong Kong and overseas investors can trade and settle SSE and SZSE securities in RMB only.

Daily quota

Northbound trading under Stock Connect is subject to a daily quota, which is set at RMB 52 billion for each of Shanghai Connect and Shenzhen Connect. Investors are always allowed to sell their eligible securities regardless of the quota balance. There is no aggregate quota for Shanghai and Shenzhen Connect.

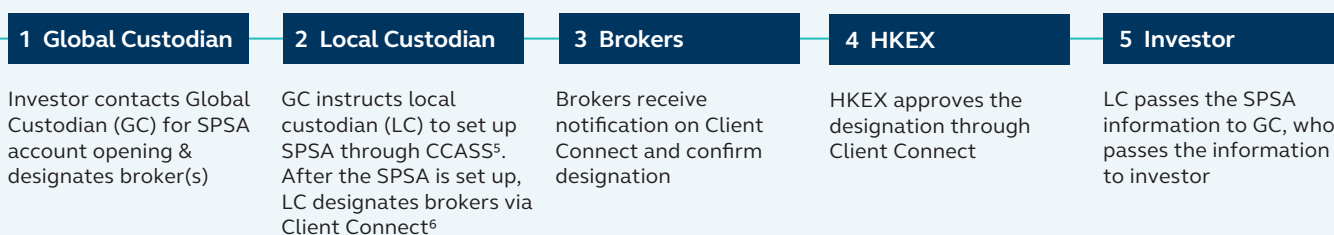
Order type

Only limit orders are accepted.

¹ Stocks eligible for both buy and sell, excluding ETFs. Data as of 30 June 2024. Institutional professional investors are eligible to trade shares listed on the ChiNext of SZSE or STAR shares of SSE. ² ETFs eligible for both buy and sell. Data as of 30 September 2024. ³ Excluding SSE-listed shares which are not traded in RMB or under risk alert. ⁴ Excluding SZSE-listed shares which are not traded in RMB or under risk alert.

Entry & exit

Entry



Exit No Exit Procedure

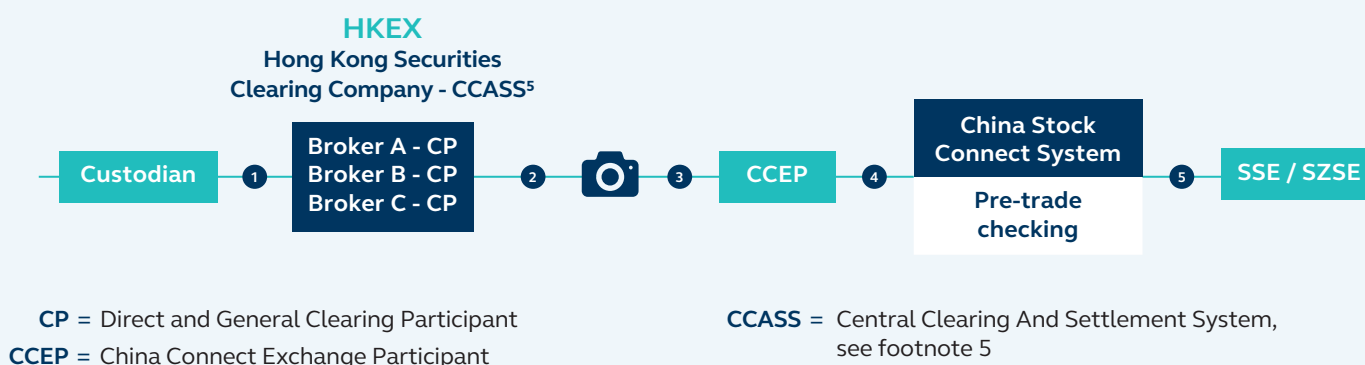
- ! No formalities for capital injection required on entry = no formalities for capital withdrawal needed on exit
- ! No HKEX charge to keep dormant SPSA opened = no need to close account

Special Segregated Accounts (SPSA) – streamlined pre-trade checking

The China A-share market is a no fail market. In order to ensure no fail settlement in Northbound trading and no overselling by individual brokers, SEHK applies pre-trade checking on all Northbound sell orders such that investors are only allowed to sell SSE/SZSE securities that are available in their stock accounts at the end of the previous day.

Non-SPSA/broker model

Investors must ensure that they have sufficient shares in their accounts opened with the selling brokers when they place sell orders. If the shares are kept in an account opened with another broker or a custodian, investors must first transfer the shares to the selling broker on T-1. Here's how it works:

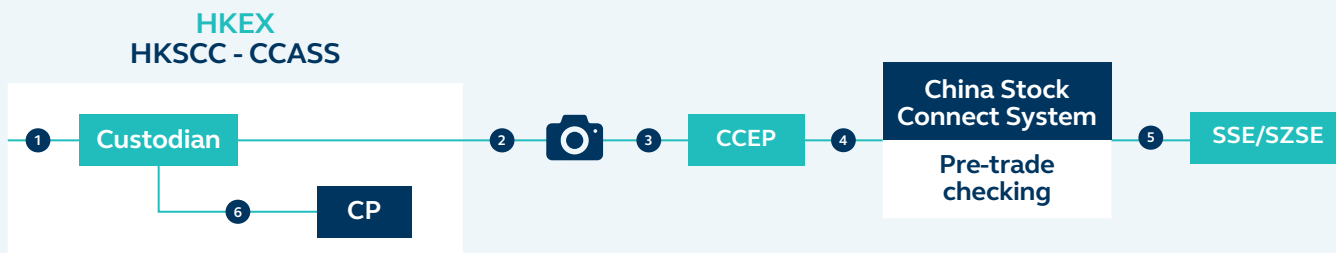


- Investors with holdings but without custody with a China Connect Exchange Participant (CCEP) must pre-deliver shares to CCEP before sell orders are entered
- CCASS will take a snapshot of each China Connect Clearing Participant's (CCCP's) SSE/SZSE securities holdings each business day before market open and replicate to the China Stock Connect System⁷ (OTP-CSC)
- Sell order entry from China Connect Exchange Participant (CCEP)
- OTP-CSC performs pre-trade checking against CCEP's sellable balance at its corresponding clearing participant
- If pre-trade checking is passed, corresponding sellable balance will be reduced accordingly. Sell order will be routed to SSE/SZSE for matching; otherwise, sell order will be rejected

⁵ Central Clearing And Settlement System is a securities settlement system operated by Hong Kong Securities Clearing Company Limited (HKSCC). ⁶ Client Connect is a platform that unifies all client access to HKEX services. ⁷ China Stock Connect System is a platform for receiving and routing orders under China Connect to the trading system of SSE/SZSE.

SPSA model

The SPSA model is designed to eliminate the inconvenience of pre-delivery. An investor only needs to transfer the Connect Securities he sells from his SPSA to the selling CCEP's account after execution, not before placing the sell order. Here's how it works:



CP = Direct and General Clearing Participant

CCASS = Central Clearing And Settlement System, see footnote 5

- 1 An investor can request his custodian to open an SPSA⁸ in CCASS to maintain his holdings. CCASS will assign each SPSA a unique SPSA ID, which should be input with the sell order by the selling CCEP
- 2 CCASS takes a snapshot of the holdings under each SPSA every morning, and replicates the holdings info to OTP-CSC as day begin sellable balances
- 3 Sell order entry from China Connect Exchange Participant (CCEP)
- 4 OTP-CSC verifies whether the CCEP is entitled to execute for the SPSA, and whether the investor has sufficient holding in his SPSA
- 5 If pre-trade checking is passed, sellable balance of the SPSA will be reduced accordingly. Sell order will be routed to SSE/SZSE for matching; otherwise, sell order will be rejected
- 6 Custodian transfers shares from investor's SPSA to selling CCEP's corresponding CCCP account for settlement

Master SPSA – enhanced best execution for fund managers

To enhance the existing SPSA service, an optional Master SPSA service is introduced for fund managers, asset managers or investment managers which have opened and/or manage multiple SPSAs.

Under the new arrangement, individual SPSA IDs are mapped to a Master SPSA ID (a unique 6-digit number similar to an SPSA ID) so that the sellable balances of individual SPSAs will be aggregated to the Master SPSA for pre-trade checking in sale transactions.

Benefits of master SPSA

- Allows orders from individual SPSAs to be aggregated into one order, providing for enhanced best execution through achieving average pricing across the aggregated orders
- Enhanced optional mechanism under the existing Stock Connect framework to allow pre-trade checking of sell orders for fund managers at an aggregate level
- Maintains the same post-trade settlement processes as the individual SPSA level for consistency

⁸ Each SPSA can be designated to up to 20 CCEPs for executing sell orders on its behalf.

Master SPSA ID – SPSA mapping



After a fund manager starts using Master SPSA Service, the sellable balance of the mapped SPSAs will be aggregated and the aggregate sellable balance will be used for pre-trade checking at the Master SPSA ID level. The sellable balances of the mapped SPSAs will become ZERO and thus, no sell orders on individual mapped SPSAs will be allowed.

Upon fund managers terminating the use of Master SPSA Service, the Master SPSA ID will be removed and the sellable balance of the previously mapped SPSAs will be used for pre-trade checking.

- Master SPSA holder must map at least 2 or more SPSAs to the 1 assigned Master SPSA ID
- Each SPSA can only be mapped to 1 Master SPSA ID
- No maximum of SPSAs mapping to a Master SPSA ID

Eligibility

An entity that owns and/or maintains **more than one SPSA** with one or multiple Custodian Participants or General Clearing Participants which are non-Exchange Participants

Points to note

- Fund managers can apply for one or multiple Master SPSA IDs.
- Post-trade workflow and risk management measures for Master SPSAs are the same as the individual SPSAs.
- Fund managers applying for the Master SPSA Service must review and adhere to the Terms and Conditions of the Services for Master SPSA Holder.
- SPSA IDs and SPSA numbers are required for mapping. Fund managers may need to contact their Global Custodians for assistance in obtaining these.
- An SPSA accessible by multiple managers should not be mapped to a Master SPSA ID.
- Each Master SPSA can be designated to up to 20 CCEPs for executing sell orders on its behalf.
- Same as all other Northbound orders, CCEPs must also tag a Broker-to-Client Assigned Number (BCAN) corresponding to each order-placing investor on the investor's Master SPSA buy/sell orders.

Real time delivery versus payment (RDVP)

To help investors mitigate counterparty risks⁹, RDVP money settlements in RMB, HKD and USD are introduced for Northbound transactions of Stock Connect as the enhanced version of the existing Delivery Versus Payment (DVP) model.

Delivery versus payment (DVP)

Hong Kong Securities Clearing Company Limited (HKSCC) runs five Batch Settlement Runs (BSRs) to settle SSE/SZSE securities with China Connect Clearing Participants at around 16:45, 17:30, 18:15, 19:00 and 19:45 respectively. However, under the DVP model, money settlement by Hong Kong Interbank Clearing Limited¹⁰ will not take place until 21:25, leaving an approximately 4-hour window of counterparty risk.

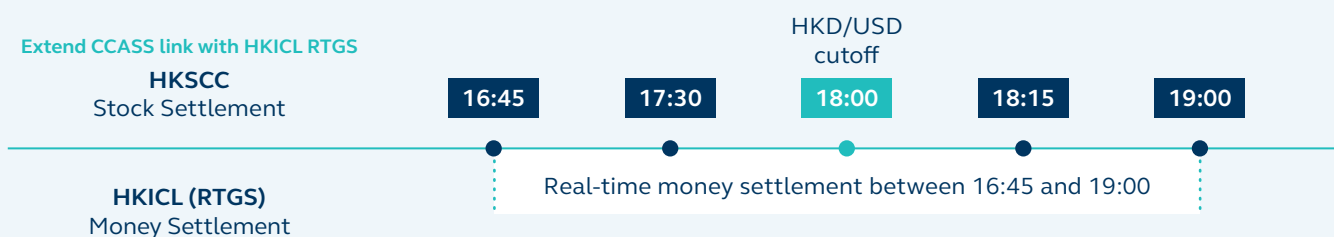


⁹ Investors can choose Free of Payment (FOP), DVP or RDVP. ¹⁰ HKICL is a private company jointly owned by the Hong Kong Monetary Authority and the Hong Kong Association of Banks. ¹¹ For RMB only. For USD and HKD, money settlement will be at 9:30 am on T+1.



Real time delivery versus payment (RDVP)

The introduction of RDVP gives investors one more choice to meet their needs in money settlement. Under RDVP, money settlement happens at real time following each BSR, achieving simultaneous cash payment with “sell” share movement.



Northbound investor ID model

The Northbound Investor ID model is an investor see-through model used to facilitate real-time surveillance of Northbound trading activities by the Mainland exchanges. BCAN means Broker-to-Client Assigned Number, which is a 10-digit unique number assigned by a CCEP to each of its Northbound clients.

BCANs do not bear any obvious link to a client’s identity and are strictly confidential. Each BCAN is mapped to the corresponding Client Identification Data (CID), which is the client’s information collected by brokers through Know-Your-Client procedures during account opening.

What is Client Identification Data (CID)?

- **Individual investors**

Name, ID issuing country/region, ID type and ID number

- **Institutional investors**

Entity name, place of incorporation, ID type and ID number

	Hong Kong		Mainland
	Broker (submission)	HKEX (processing)	SSE/SZSE (registration)
Investor Information Registration	BCAN & CID Brokers to submit BCAN and CID mapping of clients by 15:00 on T-1 day	File Processor	Through ChinaClear
Trading	Broker System Order with BCAN (real-time)	CCCG & OTP-CSC Order with Broker Firm ID + BCAN (real-time)	Trading System

OTP-CSC = China Stock Connect System; CCCG = China Connect Central Gateway

Please refer to the relevant HKEX circulars/FAQs for the latest information.

Stock Connect vs. QFI

	Stock Connect	QFI
Settlement Currency	Trade in CNY, settle in CNH or HKD, USD against broker	Trade in CNY, settle in CNY via FX or onshore holding
Pre-funding Requirement	No	Yes
Aggregated Trading Allowed	Yes	No
Short Selling	Limited	Yes
Hedging Availability	Yes, offshore futures, broker-dealer solutions	Yes, Mainland listed futures
Custodian	Offshore (Hong Kong)	Mainland China
RDVP Settlement	Yes	No
Investors' Cash Repatriation	Offshore (Hong Kong)	Cross-border in China
Investor ID Market	Yes (via the Northbound Investor ID model)	Yes, Yimatong on individual fund level
Market Entry (Filings)	Hong Kong broker/custody account opening	QFI licence application

Before you trade*



Day trading is not allowed for eligible China A-shares and Mainland-listed ETFs. Therefore, Hong Kong and overseas investors buying SSE and SZSE Securities on T-day can only sell those shares on and after T+1.



Generally, SSE and SZSE Securities are subject to the board lot size of 100 shares (except for STAR shares whose board lot size is 1 share with minimum order size of 200 shares). Odd lot trading is only available for sell orders provided that the sell order relates to the sale of all, and not part, of the odd lots.



Naked short selling is prohibited for Northbound trading. Covered short selling of Connect Securities is allowed subject to restrictions.



Northbound trading is not available if the Hong Kong market is closed or T+1 is a bank holiday in Hong Kong.



There is a general price limit of +/- 10% for Connect Securities and Northbound ETFs, and +/-20% for ChiNext and STAR shares and selective Northbound ETFs, as specified by SSE and SZSE, based on the previous closing price.

* For details of price limit and lot size, please refer to the HKEX website.

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Where this document refers to the trading of securities through the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect (together, the "Stock Connect" programs), the applicable SEHK rules and Hong Kong and Mainland China regulations shall apply. Currently, access to northbound trading is only available to intermediaries licensed or regulated in Hong Kong; southbound trading is only available to intermediaries licensed or regulated in Mainland China. Direct access to the Stock Connect is not available outside Hong Kong and Mainland China.

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