

Explanatory Notes of Short Selling Weekly Report for China Connect Securities (Shenzhen-Hong Kong Stock Connect)

Unless otherwise stated or the context otherwise requires, capitalized terms used in these Explanatory Notes shall have the same meanings as defined in the Rules of the Exchange. References to Rules are references to the rules in the Rules of the Exchange.

Section A: Explanatory Notes to China Connect Exchange Participants (“CCEPs”)

1. The Short Selling Weekly Report for China Connect Securities (Shenzhen-Hong Kong Stock Connect) (“Report”) should be filled in and filed by CCEPs who have implemented the short selling function in their China Connect Central Gateway / China Connect Open Gateway / Broker Supplied System.
2. CCEPs are advised to read carefully Rules 14B16 and 14B17 and the related provisions on the Short Selling of China Connect Securities, and refer to these Explanatory Notes and the related Examples below when filling in the Report.
3. Before filling in the Report, please also note the following (references to columns below are references to the columns in the Report):
 - a. “open short position” means the total number of shares/ units that have been short sold by the reporting CCEP (whether as principal or agent) through the China Connect Service less the total number of shares/ units borrowed for the purpose of Short Selling that have already been returned to the relevant Securities Lender;
 - b. for a particular reporting item (Column A), the open short position of last week (Column D) must be the same as the figure provided in Column G in the immediate preceding Report (except where corresponding adjustment to the number of shares/ units is required due to corporate actions such as share consolidation/splitting etc.);
 - c. the open short position of this week (Column G) is equal to the sum of open short position of last week (Column D) and the number of shares/units short sold this week (Column E) minus the number of shares/ units returned to Securities Lender this week (Column F);

→ [See Example 1](#)
 - d. in case there are no open short positions during a reporting week, CCEPs should still provide a report to the Exchange if there is return of borrowed shares/ units to Securities Lender during the week; otherwise, no reporting is required (see paragraph 5 below);

→ [See Example 2](#)
 - e. in the event that there is forced close-out by the Securities Lender during the reporting week, CCEPs should report the total number of clients involved (Column I) and the total number of shares/ units involved (Column J) in the Report. It should be noted that for the purpose of reporting, the total number of shares/ units returned to the

relevant Securities Lender (Column F) should include the total number of shares/ units that have been forced close-out this week (Column J). Leave Columns I and J blank when there is no such activity in the reporting week;

→ [See Example 3](#)

4. The completed Report must be submitted in the form of an Excel spreadsheet with the file name **SZSSH_nnnnn_yyyyWxx.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. **xx** represents the 2-digit reporting week (e.g. 01 for the week 02 January 2017 - 06 January 2017 and 02 for the week 09-13 January 2017 and so forth; see the “[List of Reporting Week for Short Selling of China Connect Securities](#)” for details). In the event that a reporting week crosses over two calendar years, the Reporting Year and Week Number of such Report should be the last week of the former year. For example, the Reporting Year and Week Number for the report covering the week of 26 December 2016 – 30 December 2016 should be 2016 and 52 respectively.

As such, the file name for the Report in respect of 02-06 January 2017 (Week Number 01) submitted by a CCEP with Firm ID 9999 will be **SZSSH_09999_2017W01.xls**.

Since only xls file extension is supported, CCEPs must save the Report to xls before submission. Alternatively, they can click “Extract” in the template which will help to convert the file name automatically to the above.

5. CCEPs will **not** be required to submit the Report to the Exchange if there is no return of borrowed shares/ units to Securities Lenders during the week and no outstanding open short positions as at the end of the week.
6. The completed Report in respect of a reporting week should be submitted to and received by the Exchange via the Electronic Communication Platform (ECP) on or before the 1st working day of the following week. To submit the Report, CCEPs 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. When completing the Report, please follow the instructions in the table below:

Column	Description	Mandatory
A. Item	Sequential serial number of every Short Selling Item 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. Open short position of last week	<ul style="list-style-type: none"> – The aggregate open short position for a particular China Connect Security as at the end of last week – For a particular China Connect Security, this figure must be the same as the figure provided in Column G in the immediate preceding Report, except where corresponding adjustment 	Yes

Column	Description	Mandatory
	<p>to the shares/ units is required due to corporate actions such as share consolidation/splitting etc.</p> <ul style="list-style-type: none"> – If there is no open short position of last week, please leave it blank 	
E. Total number of shares/ units short sold this week	<ul style="list-style-type: none"> – The number of shares/ units for a particular China Connect Security short sold this week by the reporting CCEP (whether as principal or agent) – If no share/ unit has been short sold, please leave it blank 	Yes
F. Total number of shares/ units returned to Securities Lender this week	<ul style="list-style-type: none"> – The number of shares/ units of the China Connect Security borrowed for the purpose of Short Selling that have been returned to the relevant Securities Lender – For the purpose of reporting, this figure should include the total number of shares/ units forced closed out this week (provided in Column J) – If no share/ unit has been returned or subject to forced close-out, please leave it blank 	Yes
G. Open short position of this week	<ul style="list-style-type: none"> – The aggregate open short position for a particular China Connect Security as at the end of this week – It is an output field so no entry is required – Open short position of this week = Open short position of last week (in Column D) + Total no. of shares/ units short sold this week (in Column E) – Total no. of shares/ units returned to Securities Lender this week (in Column F) 	N.A.
H. Total number of clients subject to forced close-out this week	<ul style="list-style-type: none"> – The total number of clients that had outstanding security loan subject to forced close-out by the relevant Securities Lender (eg. by forfeiting the collateral pledged to secure the security loan) during the week – CCEPs should remind their clients to report to them of such forced close-out by the Securities Lenders – Leave blank if there is no such activity 	As necessary
I. Total number of shares/ units subject to forced close-out this week	<ul style="list-style-type: none"> – The total number of shares/ units involved in Column H – If Column H has been filled in, this field should be filled in as well – Leave blank if there is no such activity 	As necessary

Section B: Examples on how to fill in the Report

Example 1: Reporting a China Connect Security with open short position

Example 1a: For the reporting week 09-13 January 2017 (Week No 02), CCEP short sold 10,000 shares of Ping An Bank (Stock Code: 000001) and there was no return of shares to the Securities Lender during the week. CCEP did not have any open short positions in the previous reporting week (Week No 01).

CCEP should submit the Report with the following entries:

A	B	C	D	E	F	G = D + E - F
Item 編號	Stock code 股票代號	Stock name 股票名稱	Open short position of last week 上周擔保賣空餘量	Total no. of shares short sold this week 本周擔保賣空數量	Total no. of shares returned to Stock Lender this week 本周擔保賣空還券數量	Open short position of this week 本周擔保賣空餘量
1	1	Ping An Bank		10,000		10,000

Example 1b: Further to Example 1a, for the reporting week 16-20 January 2017 (Week No 03), a client of CCEP short sold 20,000 shares of Ping An Bank (Stock Code: 000001) and returned 5,000 shares to the Securities Lender during the week.

CCEP should submit the Report with the following entries:

A	B	C	D	E	F	G = D + E - F
Item 編號	Stock code 股票代號	Stock name 股票名稱	Open short position of last week 上周擔保賣空餘量	Total no. of shares short sold this week 本周擔保賣空數量	Total no. of shares returned to Stock Lender this week 本周擔保賣空還券數量	Open short position of this week 本周擔保賣空餘量
1	1	Ping An Bank	10,000	20,000	5,000	25,000

Note: The figure of Column D of the Report of Week No 03 is equal to the figure of Column G of the Report of Week No 02 in the Report in Example 1a above.

Example 1c: Further to Example 1b, for the reporting week 23-27 January 2017 (Week No 04), neither CCEP nor its clients engaged in any Short Selling activities. No shares were returned to the Securities Lender during the week.

CCEP should submit the Report with the following entries:

A	B	C	D	E	F	G = D + E - F
Item 編號	Stock code 股票代號	Stock name 股票名稱	Open short position of last week 上周擔保賣空餘量	Total no. of shares short sold this week 本周擔保賣空數量	Total no. of shares returned to Stock Lender this week 本周擔保賣空還券數量	Open short position of this week 本周擔保賣空餘量
1	1	Ping An Bank	25,000			25,000

Example 2: CCEP did not have any open short position for itself or its clients in the reporting week

Example 2a: For the reporting week 09-13 January 2017 (Week No 02), CCEP had an outstanding open short position of 10,000 shares carried forward from the previous week (Week No 01). Neither CCEP nor its clients engaged in Short Selling activities during the reporting week. All the borrowed shares have been returned to the Securities Lender during the week.

CCEP should submit the Report with the following entries:

A	B	C	D	E	F	G = D + E - F
Item 編號	Stock code 股票代號	Stock name 股票名稱	Open short position of last week 上周擔保賣空餘量	Total no. of shares short sold this week 本周擔保賣空數量	Total no. of shares returned to Stock Lender this week 本周擔保賣空還券數量	Open short position of this week 本周擔保賣空餘量
1	1	Ping An Bank	10,000		10,000	0

Example 2b: For the reporting week 09-13 January 2017 (Week No 02), CCEP short sold 10,000 shares of Ping An Bank (Stock Code: 000001) and returned all the borrowed shares to the Securities Lender during the week. CCEP did not have any open short positions prior to that.

CCEP should submit the Report with the following entries:

A	B	C	D	E	F	G = D + E - F
Item 編號	Stock code 股票代號	Stock name 股票名稱	Open short position of last week 上周擔保賣空餘量	Total no. of shares short sold this week 本周擔保賣空數量	Total no. of shares returned to Stock Lender this week 本周擔保賣空還券數量	Open short position of this week 本周擔保賣空餘量
1	1	Ping An Bank		10,000	10,000	0

Example 2c: For the reporting week 09-13 January 2017 (Week No 02), neither CCEP nor its clients engaged in Short Selling activities during the reporting week. CCEP did not have any open short positions in the previous reporting week (Week No 01).

CCEP does not need to submit the Report for Week No 02.

Example 3: Forced Close-out

Example 3a: For the reporting week 23-27 January 2017 (Week No 04), CCEP lent 10,000 shares of Ping An Bank (Stock Code: 000001) to Client A for Short Selling and all 10,000 were executed. Client A did not return any shares to CCEP during that week. CCEP did not have any open short position for the security prior to that reporting week.

CCEP should submit the Report with the following entries:

D	E	F	G = D + E - F	I	J
Open short position of last week 上周擔保賣空餘量	Total no. of shares short sold this week 本周擔保賣空數量	Total no. of shares returned to Stock Lender this week 本周擔保賣空還券數量	Open short position of this week 本周擔保賣空餘量	Total no. of clients subject to forced close-out this week 本周強制平倉客戶數量	Total no. of shares subject to forced close-out this week 本周強制平倉數量
	10,000		10,000		

Example 3b: Further to Example 3a, in the following reporting week 30 Jan-03 Feb 2017 (Week No 05), Client A did not return the borrowed shares according to the Securities Borrowing & Lending Arrangement made with CCEP. As such, CCEP conducted the forced close-out of Client A's collaterals.

CCEP should submit the Report with the following entries:

D	E	F	G = D + E - F	I	J
Open short position of last week 上周擔保賣空餘量	Total no. of shares short sold this week 本周擔保賣空數量	Total no. of shares returned to Stock Lender this week 本周擔保賣空還券數量	Open short position of this week 本周擔保賣空餘量	Total no. of clients subject to forced close-out this week 本周強制平倉客戶數量	Total no. of shares subject to forced close-out this week 本周強制平倉數量
10,000		10,000	0	1	10,000

Note: Figures stated in Column F should include the number of shares/ units of which forced close-out is conducted; Column J should state the number of shares/ units that Client A failed to return to CCEP.