

# Inclusion of ETFs in Stock Connect Information for Issuers

Product factsheet | July 2024

HKEX's Stock Connect programme has expanded to include ETFs since 2022. This milestone underlines Hong Kong's role as a superconnector facilitating the vital flow of capital between East and West and represents a significant step in HKEX's mission to connect China and the World.

2014	2016	2022	2024
Launch of Hong Kong-Shanghai Stock Connect	Launch of Hong Kong-Shenzhen Stock Connect	Inclusion of ETFs into Stock Connect	Expanded eligibility criteria for ETFs in Stock Connect <sup>1</sup>

# Why list in Hong Kong?

### Tap into China's wealth

HK\$37.5bn

Southbound Stock Connect average daily turnover<sup>2</sup>, June 2024

Mainland Chinese investors are increasingly diversifying portfolios overseas, with Hong Kong as the preferred destination.

## Supported by liquidity providers

30+ ETF market makers

Market makers contribute to a deep pool of liquidity in Hong Kong's ETF market, offering strong support to ETF issuers.

## Deep pool of liquidity

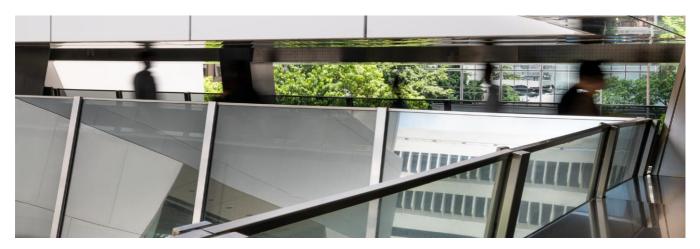
HK\$14.0bn

Hong Kong ETF market average daily turnover, 2023

Hong Kong's ETF market is growing rapidly with average daily turnover up 17% y-o-y in 2023. HKEX is committed to further market enhancements and new products.

## Access regional investor base

As Asia's ETF marketplace, Hong Kong is a top ETF trading destination for investors across the region, from the Middle East, to Southeast and East Asia.



<sup>1</sup> The expanded eligibility criteria for ETFs in Stock Connect will be effective on 22 July 2024.

<sup>2</sup> Calculation based on average daily total trade value (buy and sell trades) of Hong Kong-listed securities (including ETFs) through Shanghai and Shenzhen Southbound Stock Connect. For more information about the Stock Connect programme, please refer to the web link <a href="here">here</a>.

# Product eligibility

To be eligible for Southbound Stock Connect, an ETF needs to meet all of the following criteria:

Inclusion criteria <sup>3</sup>		
Not a synthetic ETF or Leveraged and Inverse Product		
Listed for at least six months		
Launched for at least one year		
Average daily AUM over the past 6 months of at least HK\$550 miillion <sup>4</sup> (An ETF will become a sell-only security if its average daily AUM over the past 6 months drops below HK\$450 million)		
60% or above, including secondary-listed stocks on SEHK <sup>5</sup> (An ETF will become a sell-only security if the weighting of SEHK-listed stocks in the underlying index drops below 55%)		
60% or above for all benchmark indices (An ETF will become a sell-only security if the weighting drops below 55%)		
<ul> <li>Broad-based indices<sup>6</sup>: No more than 30% for a constituent stock (An ETF will become a sell-only security if the upper limit is exceeded)</li> <li>Non-broad-based indices<sup>7</sup>: No more than 15% for a constituent and no more than 60% for the top five constituents combined (An ETF will become a sell-only security if either of the above upper limits is exceeded)</li> </ul>		

# Contact us

Please visit HKEX.com.hk or click on the below links for further details.

### **Stock Connect**

https://www.hkex.com.hk/Mutual-Market/Stock-Connect?sc\_lang=en

### **HKEX ETP Overview**

https://www.hkex.com.hk/Products/Securities/Exchange-Traded-Products/Overview?sc\_lang=en

### HKEX ETP issuer - How to apply to list on HKEX

https://www.hkex.com.hk/Products/Securities/Exchange-Traded-Products/Issuers/Overview?sc\_lang=en

Should you have any questions, please contact us at ETFs@hkex.com.hk.

- 3 The expanded eligibility criteria for ETFs in Stock Connect will be effective on 22 July 2024. A semi-annual review will be conducted to screen the eligibility of ETFs based on both inclusion and exclusion criteria.
- 4 Must be traded in HKD.
- 5 The Stock Exchange of Hong Kong ("SEHK").
- 6 Broad-based indices refer to indices whose constituent selection is not limited to a specific industry or investment theme but reflects the performance of a certain market or a certain size of stocks.
- 7 For non-broad-based indices, the index should comprise at least 30 stock constituents. At least 90% in weighting of constituent stocks should fall within the top 80% shares by average daily turnover (ADT) ranking in the relevant stock exchange in the past 12 months. An ETF will become a sell-only security if either of these criteria is breached.

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