

Trading Calendar Enhancement for Stock Connect

FAQ

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Note: Implementation of trading calendar enhancement for Stock Connect will be subject to necessary regulatory approvals. Some of the detailed arrangements are still subject to confirmation by the relevant authorities and further discussions between the relevant parties. Market participants and investors will be updated as and when further information is available or if there are any changes to such information. Note that the current FAQ for Stock Connect¹ still applies and will be subject to change after the implementation of trading calendar enhancement.

Part 1: TRADING

1.1 What is trading calendar enhancement for Stock Connect?

Under the existing Northbound arrangements for Stock Connect, trading is available on a Hong Kong trading day (T day), when both the Hong Kong and Mainland China markets are open and banking services are available in both markets on the corresponding money settlement day (T+1 day).

As such, Northbound trading on Stock Connect would be closed on the trading day before a Hong Kong public holiday because banking services are not available in the Hong Kong market on public holidays. The enhancement to Stock Connect trading calendar will enable Northbound trading under Stock Connect on all trading days that are mutual to the Hong Kong and Mainland China markets. Similar adjustments will also be made to the Southbound arrangements of Stock Connect.

1.2 When will the trading calendar enhancement take effect?

The trading calendar enhancement will take effect from 24 April 2023. Information relating to this initiative can be found on the HKEX website².

1.3 How many trading days will be added after the enhancement?

The enhancement enables Northbound trading on Stock Connect on all trading days that are mutual to the Hong Kong and Mainland China markets. After the enhancement, there will be 3 additional Northbound trading days (i.e. 25 May 2023, 20 October 2023 and 22 December 2023) and 6 additional Southbound trading days (i.e. 27 to 28 April 2023, 20 to 21 June 2023 and 27 to 28 September 2023) in 2023. The updated 2023 trading calendar is available on the HKEX website.

¹ https://www.hkex.com.hk/-/media/HKEX-Market/Mutual-Market/Stock-Connect/Getting-Started/Information-Booklet-and-FAQ/FAQ/FAQ_En.pdf

² https://www.hkex.com.hk/Mutual-Market/Stock-Connect/Reference-Materials/Trading-Calendar-Enhancement-for-Stock-Connect?sc_lang=en

1.4 What benefits will this arrangement bring to both Hong Kong and Mainland markets?

Upon implementation of the enhancement, i.e. by allowing Stock Connect investors to trade on all days when both markets are open, investors will be able to better manage their risks for trading under Stock Connect. It will also deepen the cross-border market accessibility of the Stock Connect programme, enabling Hong Kong and global investors to enjoy wider access to the Mainland China markets and providing Mainland investors with more opportunities to engage with our markets.

Part 2: CLEARING AND SETTLEMENT

2.1 What are the adjustments to Northbound Trading and Settlement activities under the arrangements for holiday trading enhancement?

After the enhancement, China Connect Exchange Participants (“CCEPs”) can trade SSE and SZSE Securities on a Hong Kong business day when both the markets in Hong Kong and Mainland are open for trading (T day). “H-1 day” will be defined as the Settlement Day immediately preceding a day which is a public holiday in Hong Kong but not in Mainland China.

For H-1 day trading, securities settlement will remain unchanged and will be held at day end of T day while money settlement arrangement for H-1 trading will be adjusted accordingly.

An illustrative example for trading and settlement calendar for Northbound trading after the adjustment is shown below:

| Northbound | Hong Kong | Mainland | Trading Day (T day) | Securities Settlement (for T day's trades) | Money Settlement (for T-1 day's trades) |
|-------------------|----------------|--------------|---------------------|--|---|
| 5 May 2022 (Thu) | Business Day | | ✓ | ✓ | ✓ |
| 6 May 2022 (Fri) | Business Day | | X -> ✓ | X -> ✓ | ✓ [^] |
| 9 May 2022 (Mon) | Public Holiday | Business Day | X | X | X |
| 10 May 2022 (Tue) | Business Day | | ✓ | ✓ | ✓ [#] |

[^] Process money settlement for China Connect Clearing Participants (“CCCP”) with net payable Continuous Net Settlement (“CNS”) money positions in regard to their Northbound China Connect Trades conducted on T day (i.e. 6 May 2022), if any.

[#] Process money settlement for CCCPs with net receivable CNS money positions in regard to their Northbound China Connect Trades conducted on previous T day (i.e. 6 May 2022), if any and also process money transactions in relation to nominee's activities conducted on or before the first Hong Kong business day after the Hong Kong public holiday (i.e. from 9-10 May 2022) with respect to SSE/SZSE Securities.

| CCCPs' CNS money position on T day | Money Settlement of Northbound Trades | |
|------------------------------------|---------------------------------------|--|
| | T day is not an H-1 day | T day is an H-1 day |
| Net payable | Settle by 12:00 p.m. on T+1 | Settle by 6:00 p.m. on T day |
| Net receivable | Settle at around 12:30 p.m. on T+1 | Settle at around 12:30 p.m. on T+1 (1 st Hong Kong business day after a Hong Kong holiday) |

Failure to settle any payment obligations on time, including the net payable obligation for T day trades as mentioned above, will constitute an event of default and Hong Kong Securities Clearing Company Limited ("HKSCC") may take default actions against the relevant CCCPs if it is considered appropriate.

2.2 How can CCCPs estimate the money obligation for H-1 trading?

CCCPs can download the Final Clearing Statement ("FCS") on H-1 day after 4:00 p.m. to check the money obligation for T day trades. No new CCASS reports will be introduced for H-1 trading.

2.3 How much do CCCPs with net payable money positions need to pay for H-1 trading?

Net buy CCCPs refer to those CCCPs with net payable settlement obligations (including both overdue and pending positions) after netting obligations in Shanghai and Shenzhen markets, assuming all their net sell CNS positions are fully settled.

If CCCPs have set up cash prepayment standing instruction for China Connect Securities, Cash Prepayment Instructions ("CPI") will be generated according to the cash prepayment amount.

2.4 Can CCCPs still make cash prepayment per current practice?

Upon introduction of H-1 trading, cash prepayment functions remain available to all CCCPs per current practice.

For a net buy CCCP, CCASS would generate automatically a CPI on its net payable CNS money on H-1 day, taking into account of its Cash Prepayment Standing Instruction. However, if the net buy CCCP wants to pay more than the net payable CNS money obligation, it can make Cash Prepayment online input in addition per current practice.

For a net sell CCCP who wants to ensure all allocated net buy positions can be released on the same day may opt to make Cash Prepayment either by Standing Instruction or by online input per current practice.

2.5 For early release of Securities-on-hold Application (using HKD / USD), how will it be handled?

All net buy CCCPs need to pay in full of the CNS money obligations in RMB on H-1 day by 6:00 p.m. HKD or USD as collateral for the early release of Security-on-hold will not be accepted on H-1 day.

2.6 What would happen if there is failed CNS sell trade and if the prepayment / settlement net BUY amount paid is not sufficient?

Failed short CNS positions will be handled per existing practice, i.e. the short CPs will be subject to buy-in and default fee in regard to the failed short CNS position unless being exempted from buy-in by HKSCC. For failed CNS money settlement by net buy CCCPs by 6:00 p.m., the CCCPs will be considered to be in default and will be subject to HKSCC default proceedings.

For example, CCCP X has following positions on H-1 day:

| | Stock A | Stock B |
|------------------------|----------------|----------------|
| Securities settlement | Buy 100 shares | Sell 80 shares |
| Money settlement | Pay RMB 100 | Receive RMB 80 |
| Net payable obligation | RMB 20 | |

CCCP X settled the net payable of RMB 20 before 6:00 p.m. on H-1 day but failed to deliver 80 shares of Stock B to HKSCC. As CCCP X settled the net payable obligation for T day trades on H-1 day, it will not constitute an event of default. For failed delivery of Stock B, it will trigger compulsory buy-in and default fee will be charged on the first Hong Kong business day after a Hong Kong holiday unless exemption is granted as per current practice. The unsettled money obligation (overdue value) for RMB 80 for Stock A, HKSCC will generate a CPI to collect from CCCP X at around 12:00 p.m. on the first Hong Kong business day after a Hong Kong holiday.

2.7 Will Settlement Instruction (SI) arrangement be handled differently on H-1 day?

All SI arrangements (including Free of Payment ("FOP") basis, or Delivery versus Payment ("DVP") basis and Realtime Delivery versus Payment ("RDP") basis) and timing of relevant batch runs on H-1 day will remain the same as any other normal Northbound settlement day.

2.8 Will a different Deal Code be used in the Electronic CHATS Payment Instruction Report (CSEPI03) for cash prepayment on H-1 day?

On H-1 day, existing Deal Code “N” will be used for both the net buy CCCPs’ payable obligations and Cash Prepayment Instruction with payment method “CHATS” (including CPIs from Cash Prepayment Standing Instruction and Cash Prepayment Instruction) in the Electronic CHATS Payment Instruction Report (CSEPI03) (“CPI Report”).

For the CPI Report issued at 4:45 p.m., both CPIs for net buy CCCP’s payable obligation and CPIs from CCCPs with Cash Prepayment Standing Instruction will be included in this report and the deadline for the completion of such payments will be 6:00 p.m. If a CCCP has Cash Prepayment Standing Instruction set-up already and has a net buy payable obligation on H-1 day, only one CPI will be included in the CPI Report, with payment amount being the greater of the two values.

For the CPI Report issued at 5:30 p.m., CPIs from CCCPs with Cash Prepayment Instruction with payment method “CHATS” will be included in this report and the corresponding payment deadline is 7:00 p.m.

Currently, for the 6:00 p.m. cut-off, only HKD and USD instructions with Deal Code “M” are included. After the enhancement, RMB instruction with Deal Code “N” will be included in the 6:00 p.m. cut-off on H-1 as well (Note: Terminal User Guide for Designated Banks will be updated).

Part 3: RISK MANAGEMENT

3.1 Is there any impact to the calculation and payment deadline for Mainland Settlement Deposit and Mainland Security Deposit (“MSTD”) and Mainland Security Deposit (“MSCD”) after the enhancement?

The calculation methodology and payment deadline for MSTD and MSCD for H-1 day will follow existing practice on a normal day. For details, please refer to HKEX website³.

3.2 How would the settlement failure be handled under the arrangements for holiday trading enhancement?

Failed settlement handling will follow the existing practice:

³ https://www.hkex.com.hk/Services/Clearing/Securities/Risk-Management/Risk-Management-of-CNS-Trades-in-China-Connect-Market?sc_lang=en

| | T day is not an H-1 day | T day is an H-1 day |
|-------------------------------|---|--|
| Securities settlement failure | Compulsory buy-in will be arranged on T+1 day | Same as current practice for T day which is not an H-1 day |
| Money settlement failure | HKSCC may take default actions against the relevant CCCPs if it is considered appropriate | Same as current practice for T day which is not an H-1 day |

Part 4: SEVERE WEATHER CONDITIONS

4.1 What are the severe weather arrangements for trading and settlement on H-1 day?

On a severe weather trading day, the trading and settlement arrangements in the securities market under severe weather condition will be the same as a normal Northbound trading day and will be applicable on H-1 day as well.

4.2 What is the severe weather arrangement for corporate actions handling on H-1 day?

Corporate actions handling of SSE/SZSE securities under severe weather condition should follow existing arrangements of a normal day and will be applicable on H-1 day as well.

Part 5: IT

5.1 Any system changes to Orion Trading Platform – China Stock Connect (OTP-CSC) will be required for the enhancement implementation?

There is no system change to the Orion Trading Platform – China Stock Connect (OTP-CSC) for the enhancement. There is also no change to the interface between OTP-CSC and CCEPs. Market Participants are reminded to assess the impact to their operations and systems.