

HKEX's Stock Connect programme is expanding to include ETFs. This new 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 and build the Marketplace of the Future.

2014	2016	2022
Launch of Hong Kong-Shanghai Stock Connect	Launch of Hong Kong-Shenzhen Stock Connect	Inclusion of ETFs into Stock Connect

## Why list in Hong Kong?

### Tap into China's wealth

**>HK\$26.6bn** Southbound Stock Connect average daily trading activity<sup>1</sup>, April 2022

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

### Supported by liquidity providers

**34** International 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\$7.7bn** Hong Kong ETF market average daily turnover 2021

Hong Kong's ETF market is growing rapidly with average daily turnover up 20% y-o-y in 2021. HKEX is committed to further market enhancements and new products.

### Access Asian investor base

As Asia's ETF marketplace, Hong Kong remains a top ETF trading destination for investors across the region, especially from Singapore, South Korea and Taiwan.



<sup>1</sup> Calculation based on average daily total trade value (buy and sell trades) in Shanghai and Shenzhen Southbound Stock Connect.

# Product eligibility

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

	Inclusion Criteria <sup>2</sup>
Type of ETF	Not a synthetic ETF or Leveraged and Inverse Product
Listing duration	Listed for at least six months
History of benchmark index	Launched for at least one year
AUM	Average daily AUM over the past 6 months of at least HK\$1.7 billion <sup>3</sup> (An ETF will become a sell-only security if its average daily AUM over the past 6 months drops below HK\$1.2 billion)
Weighting of SEHK-listed stocks in benchmark index	90% or above, including secondary-listed stocks on SEHK (An ETF will become a sell-only security if the weighting of SEHK-listed stocks in the underlying index drops below 85%)
Weighting of Stock Connect-eligible constituents in benchmark index	<ul style="list-style-type: none"><li>• HSI, HSCEI, HSTECH, HSHKBIO: 70% or above (will become a sell-only security if the weighting drops below 65%)</li><li>• Other indices: 80% or above (will become a sell-only security if the weighting drops below 70%)</li></ul>
Weighting of a constituent in benchmark index	<ul style="list-style-type: none"><li>• Broad-based indices<sup>4</sup>: No more than 30% for a constituent stock (will become a sell-only security if the upper limit is exceeded)</li><li>• Non-broad-based indices<sup>5</sup>: No more than 15% for a constituent and no more than 60% for the top five weighted constituents (will become a sell-only security if either of the above upper limits is exceeded)</li></ul>

## Contact us

Please visit [HKEX.com.hk](https://www.hkex.com.hk) or click on the below links for further details.

### Stock Connect web link

[https://www.hkex.com.hk/Mutual-Market/Stock-Connect?sc\\_lang=en](https://www.hkex.com.hk/Mutual-Market/Stock-Connect?sc_lang=en)

### HKEX ETP web link

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

### HKEX ETP issuer web link – How to apply to list on HKEX

[https://www.hkex.com.hk/Products/Securities/Exchange-Traded-Products/Issuers/Overview?sc\\_lang=en](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](mailto:ETFs@hkex.com.hk).

<sup>2</sup> A semi-annual review will be conducted to screen the eligibility of ETFs based on both inclusion and exclusion criteria.

<sup>3</sup> Must be traded in HKD.

<sup>4</sup> Broad-based index refers to an index 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.

<sup>5</sup> For non-broad-based indices, at least 30 index constituent stocks should be included. At least 90% in weighting of constituent stocks should fall within the top 80% shares by ADT ranking in the relevant stock exchange in the past 12 months. An ETF will become a sell-only security if either of the measurements falls below the above lower limits.

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