

香港聯合交易所有限公司
(香港交易及結算所有限公司全資附屬公司)

THE STOCK EXCHANGE OF HONG KONG LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: Introduction of Master SPSA Service for Northbound Stock Connect

Enquiry: Participant General Enquiry Hotline¹ (Tel : 2840 3626 E-mail : trd@hkex.com.hk)

China Connect Exchange Participants (CCEPs) are requested to note that Hong Kong Securities Clearing Company Limited (HKSCC) today issued a circular (Circular Ref No. [CD/CDCO/CCASS/011/2020](#)) regarding the introduction of an optional Master Special Segregated Account (SPSA) Service (Service) for fund managers, asset managers or investment managers (hereafter collectively referred to as “fund managers”) ² tentatively in the first half of 2020, subject to the Securities and Futures Commission’s (SFC’s) approval and market readiness.

This circular provides an overview of Master SPSA Service.

1. Currently, HKSCC provides SPSA service to the market to facilitate investors who maintain China Connect Securities with custodians, but want to sell their China Connect Securities through Northbound (NB) Stock Connect without pre-delivering these securities to their executing brokers. The details of SPSA service are available [here](#).
2. To enhance the existing SPSA service, an optional Service will be provided to fund managers, which have either opened and/or manage multiple SPSAs with one or multiple custodians. Fund managers can apply for one or multiple Master SPSA IDs according to their business needs and shall abide by the Terms and Conditions of the Services for Master SPSA Holder. A one-time application fee of HK\$50,000 per Master SPSA ID will be charged. Any material breach of these Terms and Conditions may result in HKSCC terminating the Service for the defaulting Master SPSA Holder.
3. The Service offers pre-trade checking for sale transactions at the Master SPSA level, with the aggregation of sellable balances of individual SPSA IDs mapped to a Master SPSA ID while maintaining the same post-trade workflow and risk management measures at the individual SPSA ID level including, but not limited to, sellable balance adjustment after failed settlement.

¹ All calls to and from the Participant General Enquiry Hotline may be recorded. HKEX Privacy Policy Statement is available [here](#).

² Exchange Participants which are interested in using the Service may apply to be Master SPSA Holders. Their use of the Service will be governed by the Terms and Conditions of the Services for Master SPSA Holder.

4. After successful application for the Service, a Master SPSA ID (a unique 6-digit number similar to an SPSA ID) will be assigned to the relevant fund manager (i.e. Master SPSA Holder), which can map individual SPSA IDs to the Master SPSA ID and can designate at most 20 CCEPs as executing brokers for the Master SPSA ID. CCEPs should note that the same endorsement by a CCEP is required for a Master SPSA ID as that for designations to an SPSA ID.
5. Master SPSA IDs share the same format as the existing SPSA IDs and should be input in the same field in a NB sell order. Once a Master SPSA ID becomes effective, a CCEP which is successfully designated as its executing broker should start using the Master SPSA ID when placing sell orders for the relevant Master SPSA Holder, instead of SPSA IDs.
6. Master SPSA Holders will be required to indicate their intended allocations prior to trading by providing a breakdown of the sell quantity per SPSA (i.e. the so-called “pre-allocation”), such that CCEPs and hence China Connect Clearing Participants (CCCPs) will have visibility on the potential allocations at SPSA level to address the sellable balance adjustment process in the event of failed settlement. As such, CCEPs are advised to work closely with their respective NB clients to identify any potential procedural or technical changes required in their operations and systems, prior to accepting any Master SPSA orders for Master SPSA Holders.
7. Same as for SPSA 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 in addition to the corresponding Master SPSA ID (for sell orders only). It should be noted that the adoption of the Service should not affect the existing BCANs that have been in use. Once a BCAN is set up for an investor at a CCEP, the CCEP is required to comply with Chapters 14, 14A and 14B of the Rules of the Exchange (collectively “China Connect rules”) and tag orders from that investor using the BCAN in a consistent manner. Under the Terms and Conditions of the Services for Master SPSA Holder, a fund manager may only designate those CCEPs which have set up its BCAN at the fund manager level (and not those CCEPs which have set up BCANs at the fund level) so that an aggregate order (for and on behalf of the funds it manages) can be placed. As such, if a CCEP has assigned BCANs to the individual funds managed by a fund manager, the CCEP shall not endorse the relevant CCEP mapping or input a Master SPSA order on behalf of such fund manager.
8. There will not be any changes made to CCEPs’ China Connect Central Gateway (CCCG) interface with China Stock Connect (CSC) System for order submission, and the same rejection message will be generated in case a sell order, irrespective of whether it is an SPSA or a Master SPSA sell order, fails pre-trade checking.

A dedicated “Master SPSA Service” section has been established on HKEX’s website under “Mutual Market” (click [here](#)), including [FAQs](#) to facilitate market participants’ business and technical preparation for the introduction of the Service. Briefing sessions for the Service will be arranged for the market and further market communication will be provided in due course.

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