

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: **Expansion of Eligible ETFs under Stock Connect**

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

The Stock Exchange of Hong Kong Limited, Shanghai Stock Exchange and Shenzhen Stock Exchange have agreed on the expansion of eligible Exchange Traded Funds (ETFs) under Stock Connect (the Expansion). Subject to regulatory approval, the eligibility criteria for ETFs under Stock Connect will be updated.

China Connect Exchange Participants (CCEPs) and Trade-through Exchange Participants (TTEPs) are requested to note that there is no system change to the Orion Trading Platform – China Stock Connect for the Expansion. The existing arrangements, including but not limited to trading arrangements, settlement arrangements, daily quota, investor eligibility and CCASS stock code mapping mechanism continue to apply. Notwithstanding the foregoing, CCEPs and TTEPs are requested to assess if any system or operational changes are required at their end to prepare for the Expansion.

Details of the newly proposed eligibility criteria are set out in the Appendix. The key updates are highlighted below. Other eligibility criteria will remain unchanged.

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

Eligibility Criteria for ETFs (Northbound trading):

Both buy and sell	Existing criteria	After the Expansion
1. Daily average Assets Under Management (AUM) in the last six months	No less than RMB 1.5 billion	No less than RMB 500 million
2. Total weighting of SSE-listed and SZSE-listed A shares in benchmark index	No less than 90%	No less than 60%
3. Total weighting of Stock Connect Northbound eligible constituents in benchmark index	No less than 80%	No less than 60%

Sell only	Existing criteria	After the Expansion
1. Daily average Assets Under Management (AUM) in the last six months	Falls under RMB 1 billion	Falls under RMB 400 million
2. Total weighting of SSE-listed and SZSE-listed A shares in benchmark index	Falls under 85%	Falls under 55%
3. Total weighting of Stock Connect Northbound eligible constituents in benchmark index	Falls under 70%	Falls under 55%

Eligibility Criteria for ETFs (Southbound trading):

Both buy and sell	Existing criteria	After the Expansion
1. Daily average AUM in the last six months	No less than HK\$1.7 billion	No less than HK\$550 million
2. Total weighting of SEHK-listed shares in benchmark index	No less than 90%	No less than 60%
3. Total weighting of Stock Connect Southbound eligible constituents in benchmark index	No less than 70% for HSI/HSCEI/HSTECH/H SHKBIO ² and 80% for other benchmark indices	No less than 60% for all benchmark indices

² Stands for Hang Seng Index, Hang Seng China Enterprises Index, Hang Seng TECH Index and Hang Seng Hong Kong-Listed Biotech Index

Sell only	Existing criteria	After the Expansion
1. Daily average AUM in the last six months	Falls under HK\$1.2 billion	Falls under HK\$450 million
2. Total weighting of SEHK-listed shares in benchmark index	Falls under 85%	Falls under 55%
3. Total weighting of Stock Connect Southbound eligible constituents in benchmark index	Falls under 65% for HSI/HSCEI/HSTECH/HSHKBIO and 70% for other benchmark indices	Falls under 55% for all benchmark indices

Please note that the details of the Expansion including the eligibility criteria are subject to regulatory approval. It is expected that the preparation work will take approximately 3 months to complete. The official launch will be announced in due course.

Sally Kwok
Co-Head
Trading Department
Operations Division

Appendix: Eligibility Criteria for ETFs under Stock Connect³

I. Eligible ETFs (Northbound trading):

ETFs listed on SSE/SZSE that satisfy all of the following criteria at any regular review will be accepted as eligible ETFs for Northbound trading:

1. The ETF must be traded in RMB and have a daily average Assets Under Management (AUM) in the last six months of no less than RMB 500 million;
2. The ETF must be listed for no less than six months;
3. The benchmark index must be launched for no less than one year;
4. The total weighting of SSE-listed and SZSE-listed A shares in benchmark index must not be less than 60% and the total weighting of Stock Connect Northbound eligible constituents in the benchmark index must not be less than 60%; and
5. The benchmark index or the index methodology of the benchmark index must fulfil either of the below criteria:
 - (a) Applicable to broad-based indices⁴:
 - A constituent stock must not be more than 30% of the index's weighting.
 - (b) Applicable to non-broad-based indices:
 - The number of index constituent stocks must not be less than 30;
 - A constituent must not be more than 15% of the index's weighting and the total weighting of the top five weighted constituents must not be more than 60%; and
 - The constituent stocks comprising no less than 90% of the index's weighting must be the top 80% shares by Average Daily Turnover (ADT) ranking in the relevant stock exchange in the past 12 months.

II. Eligible ETFs for sell only (Northbound trading):

Eligible ETFs that subsequently meet any of the following criteria upon regular review will be designated as sell-only securities provided that they remain listed on SSE/SZSE, and will be restricted from buying:

1. The ETF's daily average AUM in the last six months falls under RMB 400 million;

³ Subject to regulatory approval

⁴ 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

2. The total weighting of SSE-listed and SZSE-listed A shares in benchmark index falls under 55% or the total weighting of Stock Connect Northbound eligible constituents in benchmark index falls under 55%; or
3. The benchmark index and the index methodology of the benchmark index fulfil either of the below criteria:
 - (a) Applicable to broad-based indices:
 - A constituent stock exceeds 30% of the index's weighting.
 - (b) Applicable to non-broad-based indices:
 - The number of index constituent stocks falls under 30;
 - A constituent exceeds 15% of the index's weighting or the total weighting of the top five weighted constituents exceeds 60%; or
 - The constituent stocks which are the top 80% shares by ADT ranking in the relevant stock exchange in the past 12 months falls under 90% of the index's weighting.

III. Eligible ETFs (Southbound trading):

ETFs primarily regulated by SFC and listed on SEHK that satisfy all of the following criteria at any regular review will be accepted as eligible ETFs for Southbound trading:

1. The ETF must be traded in HKD and have a daily average AUM in the last six months of no less than HK\$550 million;
2. The ETF must be listed for no less than six months;
3. The benchmark index must be launched for no less than one year;
4. The ETF must not be synthetic ETFs or Leveraged and Inverse Products;
5. The total weighting of SEHK-listed stocks in the benchmark index must not be less than 60%;
6. The total weighting of Stock Connect Southbound eligible constituents in the benchmark index must not be less than 60%; and
7. The benchmark index or the index methodology of the benchmark index must fulfil either of the below criteria:
 - (a) Applicable to broad-based indices:
 - A constituent stock must not be more than 30% of the index's weighting.
 - (b) Applicable to non-broad-based indices:
 - The number of index constituent stocks must not be less than 30;
 - A constituent must not be more than 15% of the index's weighting and the total weighting of the top five weighted constituents must not be more than 60%; and
 - The constituent stocks comprising no less than 90% of the index's weighting must be the top 80% shares by ADT ranking in the relevant stock exchange in the past 12 months.

IV. Eligible ETFs for sell only (Southbound trading):

Eligible ETFs that subsequently meet any of the following criteria upon regular review will be designated as sell-only securities provided that they remain listed on SEHK, and will be restricted from buying:

1. The ETF's daily average AUM in the last six months falls under HK\$450 million;
2. The ETF becomes a synthetic ETF or Leveraged and Inverse Product;
3. The total weighting of SEHK-listed stocks in the benchmark index falls under 55%;
4. The total weighting of Stock Connect Southbound eligible constituents in the benchmark indices falls under 55%; or

5. The benchmark index and the index methodology of the benchmark index fulfil either of the below criteria:
- (a) Applicable to broad-based indices:
- A constituent stock exceeds 30% of the index's weighting.
- (b) Applicable to non-broad-based indices:
- The number of index constituent stocks falls under 30;
 - A constituent exceeds 15% of the index's weighting or the total weighting of the top five weighted constituents exceeds 60%; or
 - The constituent stocks which are the top 80% shares by ADT ranking in the relevant stock exchange in the past 12 months falls under 90% of the index's weighting.