

Rules of the Exchange

CHAPTER 1

INTERPRETATION

101. In these Rules, unless the context otherwise requires:-

“China Connect Market Participant”	in relation to a China Connect Market, means (i) a member or participant of the relevant China Connect Market Operator; and (ii) if so agreed by the Exchange, an institution recognized by the relevant China Connect Market Operator that is subject to its rules regarding the trading of SEHK Securities through a Special Participant;
“personal data”	has the meaning as defined in the Personal Data (Privacy) Ordinance;

CHAPTER 5

TRADING

Operational Trading Rules

Emergency

572. If in the opinion of the Board or of the HKEx board the functioning of the Trading Hall or the System is, or is threatened or likely to be, severely and adversely affected by an emergency, including but not limited to fire, epidemic or other casualty or accident, typhoon, rainstorm, earthquake, natural disaster, power failures, communications breakdowns, computer malfunction, war, riot, civil commotion, labour strike, terrorist attack and other similar events, the Board shall have full authority to take such action as the Board may in its absolute discretion deem necessary or appropriate to deal with such emergency or as directed by HKEx board. Under no circumstances shall the Exchange or HKEx be responsible for damages arising from any such emergency or any action taken by the Exchange in respect thereto.

Exchange Participants trading through China Connect Exchange Participants

590. (6) Where margin trading, stock borrowing and lending and/or short selling of China Connect Securities through the use of the China Connect Service is allowed in relation to a China Connect Market, and the applicable requirements are provided in these Rules and/or the applicable China Connect Service Special Rules, unless the Exchange otherwise determines, an Exchange Participant who wishes to engage in the relevant activity for the account of its clients through China Connect Exchange Participants or as otherwise permitted shall be subject to, and shall comply with, the relevant provisions in these Rules and/or the applicable China Connect Service Special Rules as if it were a China Connect Exchange Participant engaging in the relevant activity. Further, the Exchange Participant:
- (a) shall not provide instructions to a China Connect Exchange Participant, or accept instructions from any client, to carry out any margin trading, stock borrowing and lending and/or short selling of China Connect Securities in breach of any provision, restriction or requirement in these Rules and/or the applicable China Connect Service Special Rules; and
 - (b) shall abide by all applicable laws with regard to the conduct of margin trading, stock borrowing and lending and/or short selling with respect to the relevant China Connect Securities.

Stock borrowing and lending of China Connect Securities by Exchange Participants

591. Where Exchange Participants other than China Connect Exchange Participants and Exchange Participants referred to in Rule 590(1) are allowed to conduct stock borrowing and lending of China Connect Securities in relation to a China Connect Market and the applicable requirements are provided in these Rules and/or the applicable China Connect Service Special Rules, Exchange Participants who wish to engage in stock borrowing and lending activity shall be subject to and shall comply with the relevant provisions in these Rules and the applicable China Connect Service Special Rules. Exchange Participants shall also abide by all applicable laws with regard to the conduct of stock borrowing and lending with respect to the relevant China Connect Securities.

CHAPTER 8

PAYMENT OF FEES AND CHARGES

802 Without limitation to the generality of Rule 801 above, the Board may impose fees and charges in respect of:-

Fee Type	Amount (HK\$)
(16J) application for an increase in the throughput rate of an Open Gateway pursuant to Rule 365B(1), application for the throughput rate of a China Connect Open Gateway or application for an increase in the throughput rate of a China Connect Open Gateway;	50,000 for each standard throttle rate or each standard China Connect throttle rate (as the case may be)

CHAPTER 14

CHINA CONNECT SERVICE

Conditions and Restrictions on the Use of the China Connect Service

1430. The Exchange has absolute discretion to impose or amend conditions or restrictions for access to or the use of the China Connect Service from time to time for the purpose of ensuring that the trading of China Connect Securities will not contravene applicable laws or for any other reasons which the Exchange considers appropriate. To comply with applicable laws in Mainland China and the requirements of the relevant China Connect Market Operator, such conditions or restrictions may include requirements to comply with certain shareholding thresholds and disclosure obligations, conditions in conducting margin trading, stock borrowing and lending and short selling activities, restrictions in conducting off-exchange transactions, and obligations to alert investors of investment risk and their obligations to comply with applicable laws, and to communicate with investors on regulatory warnings or investigations. Different conditions or restrictions may be prescribed in respect of different China Connect Securities and China Connect Markets. The Exchange will prescribe the conditions or restrictions or change of such conditions or restrictions by making rules or through publication on the HKEx website or such other means as the Exchange considers appropriate. China Connect Exchange Participants shall comply with the conditions and restrictions in all respects.
1435. (1) A China Connect Exchange Participant is subject to and shall comply with the provisions in this Chapter 14 and the applicable China Connect Service Special Rules in addition to those applicable to it as an Exchange Participant, unless otherwise determined by the Exchange. For the avoidance of doubt, nothing in this Chapter 14 or the applicable China Connect Service Special Rules shall affect or relieve the obligations and liabilities of a China Connect Exchange Participant as an Exchange Participant under these Rules.
1436. The Exchange may suspend, restrict or terminate a China Connect Exchange Participant's access to or use of the China Connect Service where the China Connect Exchange Participant fails to comply with these Rules including any provision in this Chapter 14 and the applicable China Connect Service Special Rules. This is without prejudice to any other action that the Exchange may take against the China Connect Exchange Participant or any other rights of the Exchange.
1437. In the event that the Exchange, the SEHK Subsidiary or HKSCC is notified by a China Connect Market Operator, China Connect Clearing House or a relevant governmental or regulatory body that there is reasonable cause to suspect or believe that a China Connect Exchange Participant or any of its clients has failed to comply with or has breached any applicable laws of Mainland China with regard to the trading of China Connect Securities on the relevant China Connect Market through the use of the China Connect Service, the Exchange shall, in addition to any other powers that it may have under these Rules, have the following powers:
- (1) require the relevant China Connect Exchange Participant to provide the Exchange with such information as it may request to assess, or to enable the relevant China Connect Market Operator, China Connect Clearing House or governmental or regulatory body to assess, whether there is any non-compliance or breach of the applicable laws or the extent of any non-compliance or breach, including but not

limited to information regarding the relevant client, and where the client is an individual, the personal data of the client;

- (2) require the relevant China Connect Exchange Participant to take such actions, steps or measures to stop and/or to remedy or rectify the breach, including but not limited to requiring the relevant China Connect Exchange Participant not to accept further instructions from or to act for the relevant client; and

Suspension, Restriction and Cessation of Operation of the China Connect Service, and Emergency Arrangements

1438. (2) The circumstances under which the powers under Rule 1438(1) may be exercised include, without limitation, the following:
- (b) in the judgement of the Exchange or the SEHK Subsidiary (after consulting the Exchange), a fair, informed and orderly market for the trading of the relevant China Connect Securities may not exist or be maintained (including where investors are unable to access relevant market information), or there is unusual trading of the relevant China Connect Securities through the use of the China Connect Service;
 - (d) where the Commission, a relevant governmental or regulatory body, competent authority or a China Connect Market Operator has requested for a suspension or restriction of the China Connect Service or any part thereof;
 - (e) where the Exchange or the SEHK Subsidiary is notified by HKSCC in writing confirming that there are operational or technical issues in respect of HKSCC, a China Connect Clearing House or any of the Clearing Links which must be resolved before the China Connect Service should continue to be made available or not be restricted; and
 - (f) where an error, mistake or delay has occurred in relation to the compilation or publication of the List of China Connect Securities, the List of Special China Connect Securities or any other lists concerning China Connect Securities referred to in this Chapter 14 or the applicable China Connect Service Special Rules which, in the judgement of the Exchange or the SEHK Subsidiary (after consulting the Exchange), has affected or may affect the normal or continued operation of the China Connect Service or the relevant Trading Link.
1439. If, in the opinion of the Exchange or the SEHK Subsidiary (after consulting the Exchange), the operation or functioning of the China Connect Service is, or is likely to be, severely or adversely threatened or affected by an emergency (including but not limited to fire, epidemic or other casualty or accident, typhoon, rainstorm, earthquake, natural disaster, power outage, communications breakdown, system failure, computer malfunction, war, riot, civil commotion, labour strike, terrorist attack, material change of law or issue of any governmental or regulatory order, decree or judgment or other similar events) having significant impact on the continuous operation of the China Connect Service, the CSC, a China Connect Market System or a China Connect Market Operator, the Exchange and the SEHK Subsidiary (after consulting the Exchange) shall have full authority to take such actions, steps or measures in relation to the China Connect

Service, the CSC or otherwise, as it may deem necessary or appropriate to deal with such emergency. For the avoidance of doubt, in order to deal with an emergency, the Exchange shall have full authority to suspend or restrict access to or the use of the China Connect Service, change its operational hours and related arrangements, or cancel or request for the cancellation of any or all China Connect orders input by any or all China Connect Exchange Participants, irrespective of whether such China Connect orders have already been routed to the China Connect Market System.

Responsibilities of the Exchange and the SEHK Subsidiary

1442. In allowing access to the CSC or making the China Connect Service available, the Exchange and the SEHK Subsidiary are only providing the system connection arrangements and related services to facilitate the trading of China Connect Securities on the relevant China Connect Market System. The Exchange, HKEx and the SEHK Subsidiary and their respective directors, employees and agents shall not be liable for any obligation with respect to a transaction concluded through the use of the China Connect Service, and all obligations in relation to or arising from any China Connect order or any transaction concluded through the use of the China Connect Service shall be borne by the China Connect Exchange Participant concerned. In addition to any indemnities given by a China Connect Exchange Participant as an Exchange Participant under these Rules, a China Connect Exchange Participant shall fully indemnify the Exchange, HKEx, the SEHK Subsidiary and HKSCC and their respective directors, employees and agents and keep each of them indemnified against all third party claims, actions and proceedings in relation to or arising from, directly or indirectly, any China Connect order routed to a China Connect Market for execution or any transaction concluded through the use of the China Connect Service by the China Connect Exchange Participant and for all losses, damages, costs and expenses incurred by the Exchange, HKEx, the SEHK Subsidiary and HKSCC and their directors, employees and agents in relation to such claims, actions and proceedings.
1443. The Exchange, HKEx and the SEHK Subsidiary, and their respective directors, employees and agents shall not be responsible or held liable for any loss or damage directly or indirectly suffered by a China Connect Exchange Participant, its clients or any third parties arising from or in connection with the China Connect Service or the CSC including, without limitation, the following:
- (6) any abnormal trading in any China Connect Market or any delay, failure or error of any China Connect Market System or any system upon which the SEHK Subsidiary is reliant in providing the China Connect Service;
 - (11) any error, mistake or delay in the compilation or publication of the List of China Connect Securities, the List of Special China Connect Securities or any other lists concerning China Connect Securities referred to in this Chapter 14 or the applicable China Connect Service Special Rules;
 - (12) the taking of any action or the exercise of any discretion, or not doing so, by any China Connect Market Operator or any relevant governmental or regulatory body; and
 - (13) the taking of any action or the exercise of any discretion, or not doing so, by the Exchange, HKEx or the SEHK Subsidiary pursuant to these Rules or otherwise.

CHAPTER 14A

CHINA CONNECT SERVICE - SHANGHAI

Application

- 14A01. (2) China Connect Exchange Participants who wish to trade in eligible SSE-listed securities through the China Connect Service or engage in margin trading, stock borrowing and lending and short selling activities of eligible SSE-listed securities shall comply with this Chapter.

Interpretation

- 14A02. (1) Unless defined or specified in this Rule 14A02 or the context otherwise requires, terms used in this Chapter have the same meanings as defined in Chapter 1 of these Rules.

- (2) In this Chapter, unless the context otherwise requires:

“CSC trading day” means a day on which the China Connect Service is available for the routing of China Connect orders, as referred to in Rule 14A03(3);

“Margin Trading” means the purchase of eligible China Connect Securities referred to in Rule 14A15 by a China Connect Exchange Participant through the China Connect Service on behalf of its client, where the funds used for the purchase of the relevant China Connect Securities are provided to the client by the China Connect Exchange Participant through any form of securities margin financing arrangement;

“Non-registered Exchange Participant” means an Exchange Participant other than a China Connect Exchange Participant and an Exchange Participant referred to in Rule 590(1) who owns or holds China Connect Securities for its own account or on a proprietary basis;

“non-trade transfer” means a transfer of China Connect Securities which involves a change in the beneficial ownership of the China Connect Securities and which is not conducted through the China Connect Service and executed on the SSE Market System;

“Qualified Institution” in relation to the Stock Borrowing and Lending of China Connect Securities referred to in Rule 14A16, means:

- (a) any fund, unit trust or collective investment scheme managed by a person licensed or registered to carry out Type 9 (asset management) regulated activity under the Ordinance;
- (b) a participant of HKSCC (other than an Investor Participant as defined in the CCASS Rules); or
- (c) any other person accepted or specified by SSE;

“Short Selling”

means the sale of eligible China Connect Securities referred to in Rule 14A17(2)(a) in respect of which the China Connect Exchange Participant as seller, or the person for whose benefit or on whose behalf the sale is made, has a presently exercisable and unconditional right to vest the China Connect Securities in the purchaser by virtue of having borrowed such securities under a Stock Borrowing and Lending Arrangement;

“Short Selling order”

means a China Connect sell order to effect Short Selling;

“Stock Borrowing and Lending Arrangement”

means an arrangement permitted under Rule 14A16 whereby the persons referred to in Rules 14A16(4) to (7) borrow or lend China Connect Securities for the purposes mentioned in Rule 14A16(2) pursuant to a stock borrowing and lending agreement, and references to “Stock Borrowing and Lending”, “Stock Lender”, “Stock Borrower”, “lend” and “borrow” shall be construed accordingly;

“under risk alert”

in relation to A shares, means the relevant shares are placed under “risk alert” by SSE including shares of “ST companies”, “*ST companies” and shares subject to the delisting process under the SSE Rules.

(3) Unless the context otherwise requires:

- (a) where there is any conflict or inconsistency between a provision in this Chapter and Chapter 14, the provision in this Chapter shall prevail insofar as it relates to the trading of eligible SSE-listed securities as China Connect Securities, otherwise, the provision in Chapter 14 shall prevail;

- (b) except as provided in Rules 14A15(3), 14A16(3) and 14A17(3), references in this Chapter to “China Connect Securities” include “Special China Connect Securities”; and
- (c) the definition of “short selling”, “short sale”, “borrower”, “lender”, “stock” as they appear in other parts of these Rules do not apply to this Chapter 14A.

Operational Hours of the China Connect Service in relation to SSE

- 14A03. (3) The trading days of the China Connect Service and the operational hours are set out below, which may be subject to change in accordance with Rule 1415.

CSC trading days	Monday to Friday (“T”) except where: <ul style="list-style-type: none"> (a) T is a public holiday in Mainland China or Hong Kong; or (b) banking services are not available in Mainland China or Hong Kong on T+1, the corresponding money settlement day.
Operational hours	Morning session: 09:10 – 11:30 Afternoon session 12:55 – 15:00

- (4) If a Typhoon Signal No. 8 or above is hoisted or where the Black Rainstorm Warning is issued in Hong Kong on a CSC trading day, the operational hours will be adjusted as set out below.
 - (a) Hoisting of Typhoon Signal No. 8 (or above)

Hoisting Time	Service Availability
Before 09:15	Subject to Rule 14A03(4)(c), no service available.
At or after 09:15	Normal service will be available for 15 minutes after announcement of the hoisting of the relevant Typhoon Signal. During this period, China Connect Exchange Participants may input or cancel China Connect orders. After this period, CSC will only accept cancellation of China Connect orders until the end of that SSE trading day.

SSE-listed Securities as Special China Connect Securities

- 14A05. (2) Unless the Exchange otherwise determines, the Exchange will accept or designate securities which cease to meet the eligibility criteria set out in Rule 14A04(2) as Special China Connect Securities provided that they remain listed on SSE. These include:
- (a) shares accepted as China Connect Securities under Rules 14A04(2)(a) or (b) but which have subsequently been adjusted out of the relevant SSE Index and do not fall under Rule 14A04(2)(c);

- (b) shares accepted as China Connect Securities under Rule 14A04(2)(c) but the H shares of which have been delisted from the Exchange, and the shares do not fall under Rule 14A04(2)(a) or (b); and
 - (c) shares accepted as China Connect Securities under Rule 14A04(2)(a), (b) or (c) but which have been placed under risk alert.
- (3) In addition to Rule 14A05(2), where, as a result of any distribution of rights (including the right to subscribe for rights issues or open offers) or entitlements, conversion, takeover, other corporate actions or special circumstances, any China Connect Exchange Participant receives (whether as principal or agent through their or their China Connect CCASS Participant's account with HKSCC) any securities which are not already accepted as China Connect Securities, provided that such securities are listed on SSE and traded in RMB, the Exchange will accept or designate such securities as Special China Connect Securities.

Trading Arrangements

- 14A06. (1) Pursuant to the Exchange's powers under Rules 1417 (power to determine the order types), 1418 (power to stipulate quotation requirements) and 1430 (conditions and restrictions on the use of the China Connect Service), Rules 14A06(2) to (11) shall apply to the use of the China Connect Service for the trading of China Connect Securities listed on SSE.

Quotation requirements and restrictions

- (2) China Connect orders shall comply with the following:

Trading Mode	Automatic matching and execution through the SSE Market System
Trading Currency	RMB
Stock Code	6 digits
Order Type	Only limit orders with a specified price are allowed: <ul style="list-style-type: none"> – China Connect buy orders may be executed at or lower than the specified price – China Connect sell orders may be executed at or higher than the specified price
Spread	RMB 0.01
Board Lot (applicable to China Connect buy orders only)	100 shares
Odd Lots	Only China Connect sell orders are allowed subject to Rule 14A06(3)
Maximum Order Size	1,000,000 shares
Price Limit of the China Connect Market	±10% (and ±5% for stocks under risk alert) based on the previous closing price

Additional Price Restrictions	As set out in Rules 14A07(12) and 14A07(13)
Turnaround Trading	Not allowed as set out in Rule 14A06(4).
Block Trades	Not allowed
Manual Trades	Not available in the SSE Market
Order Amendment	Not available in the SSE Market
Pre-trade Checking	Required as set out in Rule 14A06(5) to (10)
Naked Short Selling	Not allowed
Short Selling	Allowed subject to Rule 14A17
Margin Trading	Allowed subject to Rule 14A15
Stock Borrowing and Lending	Allowed subject to Rule 14A16

No Turnaround Trading

- (4) China Connect Exchange Participants shall not sell or input any China Connect sell order in respect of any China Connect Securities which are the subject of the relevant China Connect buy order on the same CSC trading day, unless the Exchange otherwise determines. China Connect Exchange Participants shall also make appropriate arrangements to ensure that their clients will not sell or instruct it to sell any China Connect Securities which are the subject of the relevant China Connect buy order on the same CSC trading day. For the avoidance of doubt, this means that China Connect Exchange Participants must put in place appropriate measures to ensure that China Connect Securities purchased by or through it on a CSC trading day will not be sold on the same day whether as principal or as agent.

Quotas on SSE-listed Securities as China Connect Securities

- 14A07. (1) Pursuant to the Exchange's powers under Rules 1426 (discretion to prescribe quota limits and controls), 1427 (discretion to take actions to ensure compliance with quota controls) and 1428(2) (power to set price restrictions to block the input of artificial China Connect orders), the Aggregate Quota, the Daily Quota and quota monitoring and management provisions under Rules 14A07(2) to (14) shall apply.

Aggregate Quota

- (3) The Aggregate Quota limits the maximum net value of all the buy trades that can be executed by all the China Connect Exchange Participants in respect of all the China Connect Securities through the use of the China Connect Service while Shanghai-Hong Kong Stock Connect is in operation. The Aggregate Quota Balance is calculated based on the following formula:

<p>Aggregate Quota Balance = Aggregate Quota – aggregate value of China Connect Securities Buy Trades + aggregate value of China Connect Securities Sell Trades (calculated at the weighted average cost basis)</p>
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Daily Quota

- (6) The Daily Quota limits the maximum value of all the China Connect Securities Buy Trades that can be executed by all the China Connect Exchange Participants in respect of all the China Connect Securities through the China Connect Service on each CSC trading day. The Daily Quota Balance is monitored on a real-time basis during the operational hours and is calculated based on the following formula:

Daily Quota Balance = Daily Quota – value of China Connect buy orders + value of China Connect Securities Sell Trades + value of China Connect buy orders that have been cancelled or rejected + difference between the execution price and the specified price in respect of those China Connect buy orders that have been executed at a better price than the specified price

- (10) For the avoidance of doubt:
- (a) references in the formula in Rules 14A07(3) and 14A07(6) to “China Connect buy orders”, “China Connect sell orders”, “China Connect Securities Buy Trades” and “China Connect Securities Sell Trades” do not include the value of any transaction fees, taxes, levies or stamp duties payable or collected in respect of such orders or trades; and
- (11) The following table summarizes the treatment of China Connect orders as described in Rules 1407A(6) to (10) depending on the Daily Quota Balance on a given CSC trading day:

	Daily Quota Balance drops to zero or below before 09:30	Daily Quota Balance drops to zero or below at or after 09:30
China Connect sell order	Accepted	Accepted
China Connect buy order submitted after the time at which the Daily Quota Balance drops to zero or below	Not accepted (unless and until the Daily Quota Balance becomes larger than zero before 09:30)	Not accepted for the rest of the CSC trading day (unless the Exchange otherwise determines pursuant to Rule 14A07(9)(b))
China Connect buy orders submitted before the time at which the Daily Quota Balance drops to zero or below	Not affected	Not affected

Quota Management

- (12) Pursuant to its power under Rule 1428(2) (power to set price restrictions to block artificial transactions), restrictions are set in CSC and the related system connections to block the input of China Connect buy orders of all China Connect Securities at a price lower than the reference price referred to in Rule 14A07(13) by a certain percentage prescribed by the Exchange from time to time.
- (13) Unless otherwise determined by the Exchange:
 - (a) during the Opening Call Auction session and the five minutes before the commencement of the Opening Call Auction session of SSE on each CSC trading day, the reference price referred to in Rule 14A07(12) shall be (i) the current bid price of the relevant China Connect Security; and (ii) where no current bid price is available, the previous closing price of the China Connect Security; and
 - (b) during the Continuous Auction sessions (morning and afternoon) and the five minutes before the commencement of each Continuous Auction session of SSE on each CSC trading day, the reference price referred to in Rule 14A07(12) shall be (i) the current best bid price of the relevant China Connect Security; (ii) where no current best bid price is available, the latest trade price of the relevant China Connect Security, and (iii) where the latest trade price is not available, the previous closing price of the relevant China Connect Security.
- (14) If there is any change in the operational procedures relating to the quota limits and related arrangements as set out in this Rule 14A07, the Exchange will publish the details on the HKEx website or through such other means as the Exchange considers appropriate.

Shareholding Restrictions on China Connect Securities

- 14A08. (10) If, within the 5-day period mentioned in Rule 14A08(5), the aggregate foreign shareholding is reduced to below 30% due to other foreign investors selling down the relevant shares, the SEHK Subsidiary may, on its own or upon request from a China Connect Exchange Participant referred to in Rules 14A08(6) and (7) apply for permission to hold the relevant shares without a sell down at such time and in such manner as the Exchange may prescribe from time to time.

Compliance with applicable laws in Mainland China

- 14A10. As required by SSE, China Connect Exchange Participants shall:
 - (2) make adequate disclosure to their clients with regard to the risks associated with investing in China Connect Securities through appropriate arrangements including, without limitation, the risk that their instructions to trade in China Connect Securities may not be accepted and that they may be liable to regulatory investigations and the relevant legal consequences if they are in breach of or fail to comply with the SSE Rules and the laws and regulations referred to in this Rule 14A10;

- (3) acknowledge, and make appropriate arrangements to require their clients to acknowledge, that the Exchange has the power not to extend the China Connect Service to them and the power to require China Connect Exchange Participants not to accept instructions from them, if it is found that the China Connect Exchange Participant or any of its clients (as the case may be) has or may have committed any abnormal trading conduct set out in or fail to comply with the SSE Rules and the laws and regulations referred to in Rule 14A10(1);
- (4) acknowledge, and make appropriate arrangements to require their clients to acknowledge, that if the SSE Rules are breached, or if the disclosure and other obligations referred to in the SSE Listing Rules or the SSE Rules are breached, SSE has the power to carry out investigations, and may, through the Exchange or the SEHK Subsidiary, require China Connect Exchange Participants to provide relevant information and materials (including the information and personal data of their clients and other persons referred to in Rule 537) to assist in its investigation;
- (5) acknowledge that where there is a serious breach of the SSE Rules, SSE may request the Exchange to take appropriate regulatory actions or commence disciplinary proceedings against China Connect Exchange Participants, or request the Exchange to require China Connect Exchange Participants to issue warning statements (verbally or in writing) to their clients, and not to extend the China Connect Service to them or to their clients;
- (6) acknowledge, and make appropriate arrangements to require their clients to acknowledge, that the Exchange may (for the purpose of assisting SSE in its regulatory surveillance of the SSE Market and enforcement of the SSE Rules and as part of the regulatory cooperation arrangement between the Exchange, the SEHK Subsidiary and SSE), at the request of SSE, require China Connect Exchange Participants to provide information concerning their clients and other persons referred to in Rule 537 with respect to any China Connect orders input or China Connect Securities Trades made or entered into by China Connect Exchange Participants on their behalf; and
- (7) for the purposes referred to in paragraphs (4) to (6), China Connect Exchange Participants shall authorize the Exchange (whether directly or through the SEHK Subsidiary) to disclose, transfer and provide information and personal data concerning their clients and other persons referred to in Rule 537 to SSE upon request and shall make appropriate arrangements (including obtaining the relevant consents) to ensure that the relevant information and personal data may be disclosed, transferred and provided in compliance with applicable laws including the Personal Data (Privacy) Ordinance.

Fees and Taxes

- 14A11. (3) Where SSE, the relevant China Connect Clearing House, any relevant governmental or regulatory body or applicable law imposes any other fees, charges, levies or taxes on or in relation to the sale and purchase of China Connect Securities which are required to be paid or collected by the Exchange, the SEHK Subsidiary and/or HKSCC, China Connect Exchange Participants shall be responsible for paying (for themselves or on behalf of their clients) all such fees, charges, levies and taxes to the Exchange, the SEHK Subsidiary and/or HKSCC for onward payment to SSE, the relevant China Connect

Clearing House or the relevant governmental or regulatory body. For the avoidance of doubt, where any China Connect Exchange Participant fails to pay any such fees, charges, levies or taxes, the indemnity referred to in Rule 1442 applies. The Exchange will provide relevant information regarding such fees, charges, levies and taxes (including, where applicable, the manner of payment, collection and the filing or registration requirements) as are communicated to it by SSE, the relevant China Connect Clearing House or the relevant governmental or regulatory body through publication on the HKEx website or such other means as the Exchange considers appropriate.

Off-Exchange Trades or Transfers Prohibited

- 14A12. (1) Except permitted under Rule 14A12(2) or where the CSRC otherwise provides or allows, the SEHK Subsidiary and Exchange Participants shall not trade or provide services to facilitate the trading of any China Connect Securities held within CCASS through any venue other than through the SSE Market System, and an Exchange Participant shall not match, execute or arrange the execution of any sale and purchase instructions or any transfer instructions of its clients in respect of any China Connect Securities in any manner otherwise than through the use of the China Connect Service in accordance with these Rules.
- (2) The following non-trade transfers are permitted:
- (a) Stock Borrowing and Lending as permitted under Rule 14A16(2);
 - (b) transfers between Exchange Participants and their clients for the purpose of rectifying error trades;
 - (c) post-trade allocation of China Connect Securities to funds or sub-funds in different accounts by fund managers who have entered into China Connect Securities Trades for the collective account of funds or sub-funds under management; and
 - (d) transfers set out in Rule 4110iii(e) to (j) of the CCASS Rules.
- (3) China Connect Exchange Participant who carry out non-trade transfers of China Connect Securities referred to in Rule 14A12(2)(b) for the purpose of rectifying an error trade shall submit to the Exchange an error trade report together with supporting documents explaining the nature of the error, how the error was made and providing details of the non-trade transfer to be processed. The Exchange may disallow a particular China Connect Exchange Participant from carrying out non-trade transfers under Rule 14A12(2)(b) where the Exchange has reasonable cause to suspect or believe that the China Connect Exchange Participant may abuse or may have abused the rectification arrangements or may have used any non-trade transfers permitted under Rule 14A12(2)(b) to circumvent the prohibition under Rule 14A12(1).

Record Keeping

- 14A13. To comply with applicable laws in Mainland China and the requirements of SSE, China Connect Exchange Participants shall keep proper books and records of the China Connect orders input and the China Connect Securities Trades executed by it and the related client instructions and account information for a period of not less than 20 years. Such books and records shall include all relevant information

concerning the Margin Trading, Short Selling and Stock Borrowing and Lending of any China Connect Securities. For the avoidance of doubt, with respect to Margin Trading, proper books and records on the funds provided to and the relevant securities margin financing arrangement entered into with the clients shall also be kept.

Exclusion of Liability of SSE

- 14A14. Exchange Participants shall acknowledge, and make appropriate arrangements for their clients to acknowledge, that SSE shall not be responsible or held liable for any loss or damage suffered directly or indirectly by a China Connect Exchange Participant, its clients or any third parties arising from or in connection with SSE making, amending or enforcing the SSE Rules, or any action taken by it in the discharge of its supervisory or regulatory obligations or functions including any action taken to deal with abnormal trading conduct or activities.

Margin Trading of China Connect Securities

- 14A15. (1) Unless otherwise determined by the Exchange, Margin Trading may be conducted by a China Connect Exchange Participant on behalf of its clients through the China Connect Service subject to Rules 14A15(2) to (10).

List of Eligible SSE Securities for Margin Trading

- (2) China Connect Exchange Participants shall ensure that Margin Trading is confined to those China Connect Securities that are included in the List of Eligible SSE Securities for Margin Trading published by the Exchange from time to time. No China Connect Exchange Participant is allowed to provide funds or securities margin financing arrangements to any of its clients for the purpose of or with the view to facilitating the purchase of China Connect Securities not included in the List of Eligible SSE Securities for Margin Trading. A China Connect Exchange Participant which fails to comply with this Rule shall be liable to disciplinary or other actions taken by the Exchange under Rule 1437 or 14A15(6).
- (3) The Exchange will publish the List of Eligible SSE Securities for Margin Trading on the HKEx website or through such other means as it considers appropriate and may update or amend the list from time to time. Unless the Exchange otherwise determines, the List of Eligible SSE Securities for Margin Trading will be compiled by reference to SSE's list of eligible stocks for margin trading for the SSE Market, excluding Special China Connect Securities.

Suspension and Resumption of SSE Securities Margin Trading

- (4) Where the volume of margin trading activities in respect of any eligible China Connect Security exceeds the margin trading threshold prescribed by SSE, and SSE decides to suspend or has suspended margin trading activities in respect of that China Connect Security in the SSE Market, the Exchange may, as soon as practicable after being notified by SSE, require any or all China Connect Exchange Participants to stop or suspend carrying out any further Margin Trading in respect of that China Connect Security through the publication of a notice on the HKEx website or such other means as the Exchange considers appropriate. Margin Trading of the relevant China Connect Securities by China Connect Exchange Participants shall not resume until SSE has allowed margin

trading activities on the relevant China Connect Securities to resume in the SSE Market; after SSE has notified the Exchange of the resumption, and after the Exchange has published a notice to that effect. China Connect Exchange Participants shall comply with the restrictions set out in this Rule 14A15(4) and all relevant notices issued pursuant to this Rule. For the avoidance of doubt, China Connect buy orders involving Margin Trading of China Connect Securities (whether they have been executed on the SSE System prior to the suspension taking effect or not) will not be affected.

- (5) Where the Exchange requires China Connect Exchange Participants to stop or suspend carrying out further Margin Trading pursuant to Rule 14A15(4), any new China Connect buy orders for the relevant China Connect Securities input into the CSC by any China Connect Exchange Participant shall be deemed to have been made with the representation and confirmation to the Exchange that such China Connect buy order does not involve Margin Trading. Where any China Connect Exchange Participant is found to have breached this Rule, the Exchange may take appropriate actions against it under Rules 1437 and 14A15(6).

Abnormal margin trading activities

- (6) Where the situation referred to in Rule 14A15(5) occurs, where there is reasonable cause to suspect or believe that abnormal margin trading activities have taken place, or where the Exchange otherwise considers appropriate, the Exchange and/or the SEHK Subsidiary may, without prejudice to other powers which it/they may have under these Rules, take any of the following actions:
 - (a) reject or suspend the routing of China Connect buy orders which, in its judgement, may involve Margin Trading in contravention of Rule 14A15(4) or (5) at any time;
 - (b) require a China Connect Exchange Participant to stop accepting instructions from or act for or stop inputting China Connect buy orders originating from any of its clients;
 - (c) suspend a China Connect Exchange Participant's access to the China Connect Service; and
 - (d) restrict Margin Trading to certain specified China Connect Securities within the List of Eligible SSE Securities for Margin Trading.

Others

- (7) China Connect Exchange Participants shall make appropriate arrangements to ensure that their clients understand and are aware of the restrictions, requirements and conditions applicable to the Margin Trading of China Connect Securities. In particular, China Connect Exchange Participants shall inform their clients that China Connect Exchange Participants may conduct Margin Trading only in respect of China Connect Securities that are within the List of Eligible SSE Securities for Margin Trading.
- (8) The Exchange may require China Connect Exchange Participants to flag or indicate China Connect buy orders that involve Margin Trading when inputting China Connect orders into the CSC in such manner and at such time or times as the Exchange considers appropriate.

- (9) For the avoidance of doubt, references in this Rule 14A15 to “China Connect Exchange Participant” and “China Connect Exchange Participants” shall be read to include the Exchange Participants referred to in Rule 590(1) (Exchange Participants trading through China Connect Exchange Participants). Accordingly, such Exchange Participants may carry out Margin Trading of China Connect Securities for their clients through China Connect Exchange Participants subject to the conditions, restrictions and requirements of this Rule; and this Rule shall apply to them as if they were China Connect Exchange Participants.
- (10) This Rule 14A15 is made pursuant to Rule 1430.

Stock Borrowing and Lending of China Connect Securities

- 14A16. (1) Unless the Exchange otherwise determines, China Connect Exchange Participants shall not enter into or carry out any Stock Borrowing and Lending arrangement in respect of China Connect Securities and Special China Connect Securities except in accordance with this Rule 14A16.

Purpose of Stock Borrowing and Lending of China Connect Securities

- (2) Stock Borrowing and Lending of China Connect Securities may only be carried out for the following purposes:
- (a) for the purpose of Short Selling in accordance with Rule 14A17 provided that the stock loan period (inclusive of the date of stock loan and stock return) does not exceed one calendar month;
 - (b) for the purpose of enabling the clients of China Connect Exchange Participants to sell China Connect Securities held by them but which have not been transferred to the relevant HKSCC clearing stock account in time to meet the pre-trade checking requirement set out in Rule 14A06 provided that the stock loan period does not exceed one day and is non-renewable; and
 - (c) for such other purposes as the Exchange or SSE may specify from time to time.
- (3) For the purpose of Rule 14A16(2)(a), Stock Borrowing and Lending shall be limited to China Connect Securities excluding Special China Connect Securities; and for the purpose of Rule 14A16(2)(b), Stock Borrowing and Lending may cover any China Connect Securities including Special China Connect Securities. References to “China Connect Securities” in this Rule 14A16 shall be construed accordingly.

Permitted Stock Lenders and Stock Borrowers

- (4) Subject to Rules 14A16(5) to (7), only Exchange Participants and Qualified Institutions may lend China Connect Securities.
- (5) The following Exchange Participants may lend China Connect Securities:
- (a) China Connect Exchange Participants; and
 - (b) Non-registered Exchange Participants.

- (6) Only China Connect Exchange Participants may lend China Connect Securities to their clients. A China Connect Exchange Participant may also lend China Connect Securities to other China Connect Exchange Participants.
- (7) A Non-registered Exchange Participant and a Qualified Institution may lend China Connect Securities to China Connect Exchange Participants, but not directly to the clients of China Connect Exchange Participants.

Source of China Connect Securities subject to Stock Borrowing and Lending

- (8) The China Connect Securities to be lent by a China Connect Exchange Participant may be securities held or owned by it as principal, or securities borrowed from other China Connect Exchange Participants, Non-registered Exchange Participants or Qualified Institutions (in each case, lending as principal).
- (9) The China Connect Securities to be lent by a Non-registered Exchange Participant or a Qualified Institution shall only be securities held or owned by it as principal.

Provision of undertaking/confirmation

- (10) Before a China Connect Exchange Participant lends any China Connect Securities to its clients under a Stock Borrowing and Lending Arrangement, it shall apply to the Exchange to be a Stock Lender and provide the Exchange with an undertaking in the prescribed form undertaking as follows:
 - (a) it is duly licensed by the Commission to carry on the business of dealing in securities, and no restriction exists that would prevent or restrict it from dealing in securities or engaging in stock lending activities at the time of the application;
 - (b) it shall continue to be duly licensed by the Commission to carry on the business of dealing in securities and not subject to restrictions from securities dealing or engaging in stock lending activities at such time or times when China Connect Securities are lent to its clients;
 - (c) it shall promptly inform the Exchange and stop lending further China Connect Securities to its clients if it is suspended or restricted from dealing in securities or engaging in stock lending activities by the Commission; and
 - (d) it shall comply with such restrictions with respect to the lending of China Connect Securities as the Exchange may consider appropriate, including any restrictions imposed by SSE.
- (11) Before a China Connect Exchange Participant borrows any China Connect Securities from another Exchange Participant or a Qualified Institution (as Stock Lender) under a Stock Borrowing and Lending Arrangement. The China Connect Exchange Participant shall provide the Exchange with a confirmation in the prescribed form confirming that the Stock Lender has provided it with an undertaking in respect of the following:

- (a) that no restriction exists that prevents or restricts the Stock Lender from engaging in stock lending activities at the time the China Connect Securities are lent to the China Connect Exchange Participant;
- (b) that the Stock Lender will promptly inform the China Connect Exchange Participant and stop lending further China Connect Securities to the China Connect Exchange Participant if it is suspended or restricted by a relevant regulator from engaging in stock lending activities;
- (c) where the Stock Lender is a Non-registered Exchange Participant or a Qualified Institution, the China Connect Securities being lent are held or owned by it as principal; and
- (d) that the Stock Lender shall, upon notification by the China Connect Exchange Participant, comply with such restrictions with respect to the lending of China Connect Securities as the Exchange may consider appropriate, including any restrictions imposed by SSE, failing which the Stock Lender agrees that the Stock Borrowing and Lending Arrangement may be terminated by the China Connect Exchange Participant if so directed by the Exchange.

Reporting of Stock Borrowing and Lending activities

- (12) A China Connect Exchange Participant referred to in Rule 14A16(10) and (11) shall file a monthly report with the Exchange providing details on its Stock Borrowing and Lending activities with respect to China Connect Securities in the prescribed form.

Others

- (13) China Connect Exchange Participants shall make appropriate arrangements to ensure that their clients understand and are aware of the restrictions, requirements and conditions applicable to the Stock Borrowing and Lending of China Connect Securities.
- (14) China Connect Exchange Participants acknowledge that the undertakings and confirmations referred to in Rules 14A16(10) and (11) and the monthly reports referred to in Rule 14A16(12) will be disclosed or made available to SSE for information.
- (15) A Non-registered Exchange Participant who wishes to conduct stock lending activities concerning China Connect Securities shall comply with the following requirements:
 - (a) lend China Connect Securities only for the purposes allowed under Rule 14A16(2);
 - (b) comply with the requirements under Rules 14A16(7) to (9);
 - (c) provide the undertaking referred to in Rule 14A16(11) to the relevant China Connect Exchange Participant as Stock Lender;
 - (d) provide such information to the relevant China Connect Exchange Participant so as to enable it to comply with the monthly reporting requirement referred to in Rule 14A16(12); and

- (e) such restrictions with respect to the lending of China Connect Securities as the Exchange may consider appropriate, including any restrictions imposed by SSE.
- (16) Without prejudice to any other powers which the Exchange may have under these Rules, where a China Connect Exchange Participant or a Non-registered Exchange Participant fails to comply with this Rule 14A16, the Exchange may take any of the following actions:
- (a) require it to terminate or unwind any Stock Borrowing and Lending Arrangement;
 - (b) require it to stop borrowing China Connect Securities from or lending China Connect Securities to any person;
 - (c) restrict or suspend it from carrying out any stock borrowing or lending activities concerning any China Connect Securities.
- (17) Unless otherwise determined by the Exchange, other provisions in these Rules on securities borrowing and lending and the Sixth Schedule do not apply to the Stock Borrowing and Lending of China Connect Securities under this Rule.
- (18) For the avoidance of doubt, references in this Rule 14A16 to “China Connect Exchange Participant” and “China Connect Exchange Participants” shall be read to include the Exchange Participants referred to in Rule 590(1) (Exchange Participants trading through China Connect Exchange Participants). Accordingly, such Exchange Participants may carry out Stock Borrowing and Lending of China Connect Securities subject to the conditions, restrictions and requirements of this Rule; and this Rule shall apply to them as if they were China Connect Exchange Participants.
- (19) This Rule 14A16 is made pursuant to Rule 1430.

Short Selling

- 14A17. (1) Unless otherwise determined by the Exchange, Short Selling of China Connect Securities may be conducted by China Connect Exchange Participants and their clients through the China Connect Service subject to the conditions set out in this Rule 14A17.
- (2) Short Selling may be conducted subject to the following conditions:
- (a) only those China Connect Securities that are included in the List of Eligible SSE Securities for Short Selling published by the Exchange from time to time may be short sold through the China Connect Service;
 - (b) Short Selling must not exceed the limit(s) set by the Exchange in respect of the relevant China Connect Security for each CSC trading day and for a rolling period of time specified by the Exchange;
 - (c) when inputting a Short Selling order into the CSC, China Connect Exchange Participants must:
 - (i) flag or indicate it as such in the manner prescribed by the Exchange; and

- (ii) ensure that the input price must not be lower than the price level specified by the Exchange;
 - (d) Stock Borrowing and Lending for the purpose of Short Selling shall be subject to Rule 14A16(2)(a) and other restrictions as may be prescribed by the Exchange;
 - (e) China Connect Exchange Participants must comply with such reporting requirements as the Exchange may prescribe from time to time, including the reporting of open short positions;
 - (f) Short Selling may be suspended where the volume of short selling in respect of the relevant China Connect Security exceeds the threshold(s) specified by the Exchange, and may be resumed if the Exchange so permits;
 - (g) China Connect Exchange Participants must make appropriate arrangements to ensure that clients who wish to carry out Short Selling understand and are aware of the restrictions, requirements and conditions applicable to Short Selling;
 - (h) such other restrictions, requirements and conditions as the Exchange may prescribe from time to time; and
 - (i) the Exchange making detailed rules dealing with the matters referred to in paragraphs (a) to (h) of this Rule 14A17(2) and confirming when those rules will become effective.
- (3) References to “China Connect Securities” in this Rule 14A17 do not include Special China Connect Securities.
- (4) For the avoidance of doubt, Stock Borrowing and Lending of China Connect Securities for the purpose referred to in Rule 14A16(2)(b) and the subsequent sale of the relevant China Connect Securities after the pre-trade checking requirement is met shall not be regarded as Short Selling as defined in Rule 14A02(2). Accordingly, unless the Exchange otherwise determines, the sale of the relevant China Connect Securities and the corresponding China Connect sell order shall not be subject to the conditions, restrictions and requirements set out in Rule 14A17.
- (5) Unless otherwise determined by the Exchange, the Eleventh Schedule of these Rules does not apply to the Short Selling of China Connect Securities.
- (6) For the avoidance of doubt, references in this Rule 14A17 to “China Connect Exchange Participant” and “China Connect Exchange Participants” shall be read to include the Exchange Participants referred to in Rule 590(1) (Exchange Participants trading through China Connect Exchange Participants). Accordingly, such Exchange Participants may carry out Short Selling of China Connect Securities through China Connect Exchange Participants subject to the conditions, restrictions and requirements of this Rule; and this Rule shall apply to them as if they were China Connect Exchange Participants.
- (7) This Rule 14A17 is made pursuant to Rule 1430.

CHAPTER 15

SPECIAL PARTICIPANTS

1515. (6) Where the Exchange has provided market data on SEHK Securities to a Special Participant and China Connect Market Participants, the Special Participant shall not, and shall ensure that China Connect Market Participants shall not, disseminate such market data to third parties other than to their clients or other authorized persons, or allow any third parties other than their clients or other authorized persons to use such market data. The Special Participant shall also require China Connect Market Participants to monitor the use of the market data by their clients and other authorized persons, and to report any breach of usage to the Special Participant, who shall promptly inform the Exchange upon receipt of such report. Further, the Special Participants and China Connect Market Participant shall not develop any indices or other products based on such market data.
- (9) Except permitted under Rule 4206(3) of the CCASS Rules or where the CSRC otherwise provides or allows, Special Participants and their China Connect Market Participants shall not trade or provide services to facilitate trading of any SEHK Securities held within the relevant China Connect Clearing House through any venue other than through the System, and a Special Participant shall not, and shall ensure that its China Connect Market Participants shall not, match, execute or arrange the execution of any sale and purchase instructions or any transfer instructions of China Connect Market Participants or their clients in respect of any SEHK Securities in any manner otherwise than through the System.
- (10) A Special Participant shall, in accordance with the requirements of the Exchange, provide reports on its business operation in respect of the order-routing services referred to in Rule 1502.

Record Keeping, Disclosure of Information and Publication of Trade Information

1534. A Special Participant shall keep proper books and records of all orders submitted by it, the Exchange Trades executed by it and the related instructions from China Connect Market Participants, and shall take appropriate measures to require its China Connect Market Participants to keep information and documents relating to their clients' instructions, orders or account, for a period of not less than 20 years.

Suspension of Access to the System or Special Participantship

1538. (1) The Exchange may suspend or restrict a Special Participant's participantship in the Exchange or its access to the System in its sole and absolute discretion when in the Exchange's opinion, suspension or restriction is necessary to ensure the existence of a fair, informed and orderly market or for the purpose of complying with applicable laws. Suspension or restriction may be in respect of a Special Participant's ability to the access the System or to place buy or sell orders in all or any SEHK Securities and for such duration and frequency as the Exchange may consider appropriate.

- (2) Where the Exchange has serious concerns regarding whether a Special Participant should continue to be allowed to provide its order-routing services for China Connect Market Participants to trade in SEHK Securities, the Exchange may, subject to applicable laws and the approvals of the relevant governmental and regulatory bodies and after consulting the relevant China Connect Market Operator, terminate its Special Participantship. In such circumstance, the Exchange and the relevant China Connect Market Operator will cooperate to implement any winding-down arrangements as may be required.
- (3) The circumstances under which the powers under Rules 1538(1) and (2) may be exercised include, without limitation, the following:
 - (b) in the judgement of the Exchange, a fair, informed and orderly market for the trading of the relevant SEHK Securities may not exist or be maintained (including where investors are unable to access relevant market information), or there is unusual trading of the relevant SEHK Securities;
 - (c) in the judgement of the Exchange, the normal operation of any Trading Link is affected or there are operational or technical issues which must be resolved before access to the System should continue to be made available to a Special Participant or not be restricted;
 - (d) where the Commission, a relevant governmental or regulatory body, competent authority or a China Connect Market Operator has requested that access to the System be suspended or restricted;
 - (e) where the Exchange is notified by HKSCC in writing confirming that there are operational or technical issues in respect of the China Connect Clearing House referred to in Rule 1507(6) which must be resolved before access to the System should continue be made available to a Special Participant;
 - (f) where there is failure, inability or delay of the Special Participant in providing order routing or related services as referred to in Rule 1502, or suspension of operation or business of the Special Participant; and
 - (g) where an error, mistake or delay has occurred in relation to the compilation or publication of the List of SEHK Securities, the List of Special SEHK Securities or any other lists concerning SEHK Securities which, in the judgement of the Exchange, has affected or may affect the normal or continued operation of the relevant Trading Link.
- (4) The Exchange shall not be responsible or held liable for any loss or damage suffered directly or indirectly by a Special Participant, a China Connect Market Participant or its client, or any third parties arising from or in connection with the Exchange making, amending or enforcing these Rules, or any action taken by it in the discharge of its supervisory or regulatory obligations or functions including any action taken to deal with abnormal trading conduct or activities.