

**Rules of the Exchange**

**CHAPTER 14A**

**CHINA CONNECT SERVICE – SHANGHAI**

**Interpretation**

14A02. (2) In this Chapter, unless the context otherwise requires:

“Master SPSA Holder” has the same meaning as defined in the CCASS Rules;

“Master SPSA ID” has the same meaning as defined in the CCASS Rules;

“Master SPSA order” means a China Connect order for the sale of China Connect Securities held in Special Segregated Accounts which have been mapped to a Master SPSA ID;

“SPSA ID” has the same meaning as defined in the CCASS Rules;

“SPSA order” means a China Connect ~~sell~~ order for the sale of China Connect Securities held in a Special Segregated Account, other than one which has been mapped to a Master SPSA ID;

**SPSA order**

14A06. (2A) (a) A China Connect Exchange Participant who receives instructions from a client to sell China Connect Securities held in a Special Segregated Account shall, before inputting an SPSA order into the CSC, ensure that:

(i) the Special Segregated Account has been designated to the client and an ~~investor identification number~~ SPSA ID has been assigned by CCASS to the Special Segregated Account in accordance with the CCASS Rules;

(ii) it has been authorized to execute on behalf of the client the sale of China Connect Securities in the specified Special Segregated Account; and

- (iii) it has received confirmation from the client or has advised the client to ensure that there are sufficient China Connect Securities in the Special Segregated Account to settle the delivery obligations on the settlement day and, if the SPSA order is executed, the relevant China Connect Securities will be delivered to it or its CCASS GCP, as the case may be, for settlement.
- (b) Subject to Rule 14A06(2A)(a), a China Connect Exchange Participant shall, when inputting an SPSA order into the CSC, indicate in such manner as the Exchange may from time to time determine the relevant ~~investor identification number~~ SPSA ID and other details required by the Exchange. By inputting an SPSA order into the CSC, the China Connect Exchange Participant agrees and represents to the Exchange that it has complied with the requirements regarding SPSA orders set out in this Rule 14A06(2A).
- (c) In this Rule 14A06(2A), references to “China Connect Exchange Participant” do not include the Exchange Participants referred to in Rule 590(1) (Exchange Participants trading through China Connect Exchange Participants). This Rule is not applicable to such Exchange Participants.

**Master SPSA order**

- (2B) (a) A China Connect Exchange Participant who receives instructions from a client which is a Master SPSA Holder to sell China Connect Securities held in one or more Special Segregated Accounts mapped to its Master SPSA ID shall, before inputting a Master SPSA order into the CSC, ensure that:
- (i) a Master SPSA ID has been designated to the Master SPSA Holder;
  - (ii) it has been authorized to execute on behalf of the Master SPSA Holder the sale of China Connect Securities held under the mapped Special Segregated Accounts;
  - (iii) it has received pre-allocation instructions from the Master SPSA Holder in respect of the relevant China Connect Securities; and
  - (iv) it has received confirmation from the Master SPSA Holder or has advised the Master SPSA Holder to ensure that there are sufficient China Connect Securities held under the mapped Special Segregated Accounts to settle the delivery obligations on the settlement day and, if the Master SPSA order is executed, the relevant China Connect Securities will be delivered to it or its CCASS GCP, as the case may be, for settlement.

(b) Subject to Rule 14A06(2B)(a), a China Connect Exchange Participant shall, when inputting a Master SPSA order into the CSC, indicate in such manner as the Exchange may from time to time determine the relevant Master SPSA ID and other details required by the Exchange. By inputting a Master SPSA order into the CSC, the China Connect Exchange Participant agrees and represents to the Exchange that it has complied with the requirements regarding Master SPSA orders set out in this Rule 14A06(2B).

(c) In this Rule 14A06(2B), references to “China Connect Exchange Participant” do not include the Exchange Participants referred to in Rule 590(1) (Exchange Participants trading through China Connect Exchange Participants). This Rule is not applicable to such Exchange Participants.

#### **Pre-trade checking**

- (6) In respect of a China Connect Exchange Participant who is a China Connect CCASS Clearing Participant, pre-trade checking of its China Connect sell orders will be conducted on the stock holding position of its designated CCASS stock account(s) in accordance with Rules 14A06(8)(a),(c) and (d) except where the China Connect sell order is an SPSA order or a Master SPSA order, in which case Rule 14A06(7A) or Rule 14A06(7B), as the case may be, shall apply.
- (7) In respect of a China Connect Exchange Participant who is not a China Connect CCASS Clearing Participant, pre-trade checking of its China Connect sell orders will, unless such order is an SPSA order or a Master SPSA order, be conducted on the stock holding position of the CCASS stock account(s) that has been designated to it by its duly appointed CCASS GCP for the settlement of its China Connect Securities Trades. Pre-trade checking of its China Connect sell orders will be conducted in accordance with Rules 14A06(8)(a), (c) and (d) except where the China Connect sell order is an SPSA order or a Master SPSA order, in which case Rule 14A06(7A) or Rule 14A06(7B), as the case may be, shall apply.
- (7A) In respect of an SPSA order input by a China Connect Exchange Participant, pre-trade checking will be conducted on the stock holding position of the Special Segregated Account with the assigned SPSA ID ~~investor identification number indicated by the China Connect Exchange Participant~~ when it inputs the SPSA order in accordance with Rules 14A06(8)(b), (c) and (d).
- (7B) In respect of a Master SPSA order input by a China Connect Exchange Participant, pre-trade checking will be conducted on the aggregate stock holding position of all the Special Segregated Accounts mapped to the assigned Master SPSA ID when it inputs the Master SPSA order in accordance with Rules 14A06(8)(b), (c) and (d).
- (8) (a) Subject to Rule 14A06(8)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the CCASS Rules, the total number of shares

which can be the subject of China Connect sell orders (other than SPSA orders and Master SPSA orders) in respect of each China Connect Security on a CSC trading day shall not exceed the total stock holding position in respect of the same China Connect Security as shown in the relevant designated CCASS stock account(s) referred to in Rule 14A06(6) or (7) immediately before the commencement of operation of the China Connect Service on that CSC trading day.

(b) Subject to Rule 14A06(8)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the CCASS Rules;

(i) the total number of shares which can be the subject of SPSA orders in respect of each China Connect Security in a Special Segregated Account on a CSC trading day shall not exceed the total stock holding position in respect of the same China Connect Security as shown in the relevant Special Segregated Account referred to in Rule 14A06(7A) immediately before the commencement of operation of the China Connect Service on that CSC trading day; and

(ii) the total number of shares which can be the subject of Master SPSA orders in respect of each China Connect Security in the Special Segregated Accounts which are mapped to a Master SPSA ID on a CSC trading day shall not exceed the aggregate stock holding position in respect of the same China Connect Security as shown in all the Special Segregated Accounts mapped to the assigned Master SPSA ID referred to in Rule 14A06(7B) immediately before the commencement of operation of the China Connect Service on that CSC trading day.

(c) In respect of overdue short stock positions in China Connect Securities of a China Connect CCASS Clearing Participant under the CNS System which are outstanding for settlement on the due date where such China Connect CCASS Clearing Participant is a China Connect Exchange Participant, HKSCC will request the Exchange to deduct the overdue short stock position quantities from the sellable balances of such China Connect CCASS Clearing Participant on the next CSC trading day, and if such China Connect CCASS Clearing Participant is a CCASS GCP of any China Connect Exchange Participant(s), from the sellable balances of each of such China Connect Exchange Participant(s) on the next CSC trading day. If such overdue short stock positions are, or are alleged by such China Connect CCASS Clearing Participant to be, caused in whole or in part by an SPSA Delivery Failure, the sellable balances of such China Connect CCASS Clearing Participant, and/or the relevant China Connect Exchange Participant(s) and the relevant Special Segregated Accounts will be adjusted in accordance with the CCASS Rules. In the event of an SPSA Delivery Failure under a Master SPSA ID, the sellable balance with respect to the relevant China Connect Securities that were the subject of the SPSA Delivery Failure or the sellable balances

of all the China Connect Securities under such Master SPSA ID may be reduced to zero on the next CSC trading day or for such longer period in accordance with the CCASS Rules.

- (d) Any China Connect sell order input by a China Connect Exchange Participant which may, upon execution, exceed the relevant total stock holding positions mentioned in Rule 14A06(8)(a) or (b) above will (subject to Rule 14A06(8)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the CCASS Rules) be rejected.
- (9) To enable the Exchange and the SEHK Subsidiary to apply the pre-trade checking procedures, HKSCC will, in accordance with the CCASS Rules and subject to Rule 14A06(8)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the CCASS Rules, reproduce and replicate the stock holding records of the CCASS stock accounts (both client and house account positions) referred to in Rules 14A06(6) and (7) and the Special Segregated Accounts referred to in Rule 14A06(7A) and Rule 14A06(7B), and transmit the information to the CSC before the commencement of operation of the China Connect Service on each CSC trading day. Each China Connect Exchange Participant agrees to and authorizes the reproduction, replication and transmission of its stock holding records as mentioned above for the purpose of enabling the Exchange and the SEHK Subsidiary to carry out the pre-trade checking procedures. In respect of Special Segregated Accounts (whether under SPSA ID or Master SPSA ID), each China Connect Exchange Participant who is authorized to execute on behalf of its clients (including the Master SPSA Holder where applicable) sale of China Connect Securities in the Special Segregated Accounts, acknowledges and confirms that its clients (including the Master SPSA Holder where applicable) have authorized the reproduction, replication and transmission of the stock holding records of the Special Segregated Accounts as mentioned above for the purpose of enabling the Exchange and the SEHK Subsidiary to carry out the pre-trade checking procedures.
- (10) Consistent with Rule 1421(2), China Connect Exchange Participants shall put in place appropriate arrangements to ensure that (a) in respect of an SPSA order, Rule 14A06(2A) will be complied with and in respect of a Master SPSA order, Rule 14A06(2B) will be complied with, respectively, before the placing of the order; and (b) in respect of a China Connect sell order (other than an SPSA order or a Master SPSA order), there are sufficient China Connect Securities in the relevant client account or house account, as applicable, within CCASS before placing the order for the account of their client or for their own account, as the case may be. Upon matching of a China Connect sell order on the SSE Market System, the relevant number of China Connect Securities recorded in the relevant account referred to in 14A06(8)(a) above or the relevant Special Segregated Account(s), as the case may be, will be used for stock settlement in accordance with the CCASS Rules.

### Short Selling

14A17. (13) Before inputting a Short Selling order into the CSC, a China Connect Exchange Participant shall:

(a) where acting for the account of a client (including a Master SPSA Holder where applicable):

(iv) to the extent that the Short Selling order to be input is an SPSA order or a Master SPSA order, have required its client to confirm that the borrowed Short Selling Securities are held in the relevant Special Segregated Account(s) and the order meets the pre-trade checking requirements set out in Rule 14A06(7A) or Rule 14A06(7B), as the case may be, and if the order is executed on the SSE Market, the borrowed securities will be delivered to it or its CCASS GCP for stock settlement; and

## CHAPTER 14B

### CHINA CONNECT SERVICE - SHENZHEN

#### Interpretation

14B02. (2) In this Chapter, unless the context otherwise requires:

“Master SPSA Holder” has the same meaning as defined in the CCASS Rules;

“Master SPSA ID” has the same meaning as defined in the CCASS Rules;

“Master SPSA order” means a China Connect order for the sale of China Connect Securities held in Special Segregated Accounts which have been mapped to a Master SPSA ID;

“SPSA ID” has the same meaning as defined in the CCASS Rules;

“SPSA order” means a China Connect ~~sell~~ order for the sale of China Connect Securities held in a Special Segregated Account, other than one which has been mapped to a Master SPSA ID;

**SPSA order**

- 14B06. (3) (a) A China Connect Exchange Participant who receives instructions from a client to sell China Connect Securities held in a Special Segregated Account shall, before inputting an SPSA order into the CSC, ensure that:
- (i) the Special Segregated Account has been designated to the client and an SPSA ID ~~investor identification number~~ has been assigned by CCASS to the Special Segregated Account in accordance with the CCASS Rules;
  - (ii) it has been authorized to execute on behalf of the client the sale of China Connect Securities in the specified Special Segregated Account; and
  - (iii) it has received confirmation from the client or has advised the client to ensure that there are sufficient China Connect Securities in the Special Segregated Account to settle the delivery obligations on the settlement day and, if the SPSA order is executed, the relevant China Connect Securities will be delivered to it or its CCASS GCP, as the case may be, for settlement.
- (b) Subject to Rule 14B06(3)(a), a China Connect Exchange Participant shall, when inputting an SPSA order into the CSC, indicate in such manner as the Exchange may from time to time determine the relevant SPSA ID ~~investor identification number~~ and other details required by the Exchange. By inputting an SPSA order into the CSC, the China Connect Exchange Participant agrees and represents to the Exchange that it has complied with the requirements regarding SPSA orders set out in this Rule 14B06(3).
- (c) In this Rule 14B06(3), references to “China Connect Exchange Participant” do not include the Exchange Participants referred to in Rule 590(1) (Exchange Participants trading through China Connect Exchange Participants). This Rule is not applicable to such Exchange Participants.

**Master SPSA order**

- (3A) (a) A China Connect Exchange Participant who receives instructions from a client which is a Master SPSA Holder to sell China Connect Securities held in one or more Special Segregated Accounts mapped to its Master SPSA ID shall, before inputting a Master SPSA order into the CSC, ensure that:
- (i) a Master SPSA ID has been designated to the Master SPSA Holder;

- (ii) it has been authorized to execute on behalf of the Master SPSA Holder the sale of China Connect Securities held under the mapped Special Segregated Accounts;
- (iii) it has received pre-allocation instructions from the Master SPSA Holder in respect of the relevant China Connect Securities; and
- (iv) it has received confirmation from the Master SPSA Holder or has advised the Master SPSA Holder to ensure that there are sufficient China Connect Securities held under the mapped Special Segregated Accounts to settle the delivery obligations on the settlement day and, if the Master SPSA order is executed, the relevant China Connect Securities will be delivered to it or its CCASS GCP, as the case may be, for settlement.

(b) Subject to Rule 14B06(3A)(a), a China Connect Exchange Participant shall, when inputting a Master SPSA order into the CSC, indicate in such manner as the Exchange may from time to time determine the relevant Master SPSA ID and other details required by the Exchange. By inputting a Master SPSA order into the CSC, the China Connect Exchange Participant agrees and represents to the Exchange that it has complied with the requirements regarding Master SPSA orders set out in this Rule 14B06(3A).

(c) In this Rule 14B06(3A), references to “China Connect Exchange Participant” do not include the Exchange Participants referred to in Rule 590(1) (Exchange Participants trading through China Connect Exchange Participants). This Rule is not applicable to such Exchange Participants.

### **Pre-trade checking**

- (7) In respect of a China Connect Exchange Participant who is a China Connect CCASS Clearing Participant, pre-trade checking of its China Connect sell orders will be conducted on the stock holding position of its designated CCASS stock account(s) in accordance with Rules 14B06(10)(a),(c) and (d) except where the China Connect sell order is an SPSA order or a Master SPSA order, in which case Rule 14B06(9) or Rule 14B06(9A), as the case may be, shall apply.
- (8) In respect of a China Connect Exchange Participant who is not a China Connect CCASS Clearing Participant, pre-trade checking of its China Connect sell orders will, unless such order is an SPSA order or a Master SPSA order, be conducted on the stock holding position of the CCASS stock account(s) that has been designated to it by its duly appointed CCASS GCP for the settlement of its China Connect Securities Trades. Pre-trade checking of its China Connect sell orders will be conducted in accordance with



Rules 14B06(10)(a),(c) and (d) except where the China Connect sell order is an SPSA order or a Master SPSA order, in which case Rule 14B06(9) or Rule 14B06(9A), as the case may be, shall apply.

- (9) In respect of an SPSA order input by a China Connect Exchange Participant, pre-trade checking will be conducted on the stock holding position of the Special Segregated Account with the assigned SPSA ID ~~investor identification number indicated by the China Connect Exchange Participant~~ when it inputs the SPSA order in accordance with Rules 14B06(10)(b),(c) and (d).

(9A) In respect of a Master SPSA order input by a China Connect Exchange Participant, pre-trade checking will be conducted on the aggregate stock holding position of all the Special Segregated Accounts mapped to the assigned Master SPSA ID when it inputs the Master SPSA order in accordance with Rules 14B06(10)(b), (c) and (d).

- (10) (a) Subject to Rule 14B06(10)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the CCASS Rules, the total number of shares which can be the subject of China Connect sell orders (other than SPSA orders and Master SPSA orders) in respect of each China Connect Security on a CSC trading day shall not exceed the total stock holding position in respect of the same China Connect Security as shown in the relevant designated CCASS stock account(s) referred to in Rule 14B06(7) or (8) immediately before the commencement of operation of the China Connect Service on that CSC trading day.

- (b) Subject to Rule 14B06(10)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the CCASS Rules:

(i) the total number of shares which can be the subject of SPSA orders in respect of each China Connect Security in a Special Segregated Account on a CSC trading day shall not exceed the total stock holding position in respect of the same China Connect Security as shown in the relevant Special Segregated Account referred to in Rule 14B06(9) immediately before the commencement of operation of the China Connect Service on that CSC trading day; and

(ii) the total number of shares which can be the subject of Master SPSA orders in respect of each China Connect Security in the Special Segregated Accounts which are mapped to a Master SPSA ID on a CSC trading day shall not exceed the aggregate stock holding position in respect of the same China Connect Security as shown in all the Special Segregated Accounts mapped to the assigned Master SPSA ID referred to in Rule 14B06(9A) immediately before the commencement of operation of the China Connect Service on that CSC trading day.

- (c) In respect of overdue short stock positions in China Connect Securities of a China Connect CCASS Clearing Participant under the CNS System which are outstanding for settlement on the due date where such China Connect CCASS Clearing Participant is a China Connect Exchange Participant, HKSCC will request the Exchange to deduct the overdue short stock position quantities from the sellable balances of such China Connect CCASS Clearing Participant on the next CSC trading day, and if such China Connect CCASS Clearing Participant is a CCASS GCP of any China Connect Exchange Participant(s), from the sellable balances of each of such China Connect Exchange Participant(s) on the next CSC trading day. If such overdue short stock positions are, or are alleged by such China Connect CCASS Clearing Participant to be, caused in whole or in part by an SPSA Delivery Failure, the sellable balances of such China Connect CCASS Clearing Participant, and/or the relevant China Connect Exchange Participant and the relevant Special Segregated Accounts will be adjusted in accordance with the CCASS Rules. In the event of an SPSA Delivery Failure under a Master SPSA ID, the sellable balance with respect to the relevant China Connect Securities that were the subject of the SPSA Delivery Failure or the sellable balances of all the China Connect Securities under such Master SPSA ID may be reduced to zero on the next CSC trading day or for such longer period in accordance with the CCASS Rules.
- (d) Any China Connect sell order input by a China Connect Exchange Participant which may, upon execution, exceed the relevant total stock holding positions mentioned in Rule 14B06(10)(a) or (b) above will (subject to Rule 14B06(10)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the CCASS Rules) be rejected.
- (11) To enable the Exchange and the SEHK Subsidiary to apply the pre-trade checking procedures, HKSCC will, in accordance with the CCASS Rules and subject to Rule 14B06(10)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the CCASS Rules, reproduce and replicate the stock holding records of the CCASS stock accounts (both client and house account positions) referred to in Rules 14B06(7) and (8) and the Special Segregated Accounts referred to in Rule 14B06(9) and Rule 14B06(9A), and transmit the information to the CSC before the commencement of operation of the China Connect Service on each CSC trading day. Each China Connect Exchange Participant agrees to and authorizes the reproduction, replication and transmission of its stock holding records as mentioned above for the purpose of enabling the Exchange and the SEHK Subsidiary to carry out the pre-trade checking procedures. In respect of Special Segregated Accounts (whether under SPSA ID or Master SPSA ID), each China Connect Exchange Participant who is authorized to execute on behalf of its clients (including the Master SPSA Holder where applicable) sale of China Connect Securities in the Special Segregated Accounts acknowledges and confirms that its clients (including the Master SPSA Holder where applicable) have authorized the reproduction,

replication and transmission of the stock holding records of the Special Segregated Accounts as mentioned above for the purpose of enabling the Exchange and the SEHK Subsidiary to carry out the pre-trade checking procedures.

- (12) Consistent with Rule 1421(2), China Connect Exchange Participants shall put in place appropriate arrangements to ensure that (a) in respect of an SPSA order, Rule 14B06(3) will be complied with and in respect of a Master SPSA order, Rule 14B06(3A) will be complied with, respectively, before the placing of the order; and (b) in respect of a China Connect sell order (other than an SPSA order or a Master SPSA order), there are sufficient China Connect Securities in the relevant client account or house account, as applicable, within CCASS before placing the order for the account of their client or for their own account, as the case may be. Upon matching of a China Connect sell order on the SZSE Market System, the relevant number of China Connect Securities recorded in the relevant account referred to in 14B06(10)(a) above or the relevant Special Segregated Account(s), as the case may be, will be used for stock settlement in accordance with the CCASS Rules.

### **Short Selling**

- 14B17. (13) Before inputting a Short Selling order into the CSC, a China Connect Exchange Participant shall:
- (a) where acting for the account of a client (including a Master SPSA Holder where applicable):
- (iv) to the extent that the Short Selling order to be input is an SPSA order or a Master SPSA order, have required its client to confirm that the borrowed Short Selling Securities are held in the relevant Special Segregated Account(s) and the order meets the pre-trade checking requirements set out in Rule 14B06(9) or Rule 14B06(9A), as the case may be, and if the order is executed on the SZSE Market, the borrowed securities will be delivered to it or its CCASS GCP for stock settlement; and