

## CHAPTER 14

### CHINA CONNECT SERVICE

#### Cross-boundary Trading Links

1401. The Exchange and a China Connect Market Operator may enter into Trading Links to establish and operate:

- (1) an order-routing arrangement to enable Exchange Participants and their clients to trade in securities listed on the relevant China Connect Market through an SEHK Subsidiary (which shall be a member or participant of the relevant China Connect Market), and/or
- (2) an order-routing arrangement to enable China Connect Market Participants of a China Connect Market Operator and their clients to trade in securities listed on the Exchange through a subsidiary of the China Connect Market Operator (which shall be a Special Participant of the Exchange subject to these Rules),

for the purpose of facilitating cross-boundary mutual market access and connectivity.

1402. This Chapter 14 sets out the provisions that apply to Exchange Participants who wish to participate in the trading of China Connect Securities through the use of the China Connect Service.

#### The China Connect Service

1403. (1) For the purposes of establishing and operating a Trading Link referred to in Rule 1401(1), the Exchange may enter into arrangements, upon such terms and conditions as the Exchange considers appropriate, with an SEHK Subsidiary pursuant to which the SEHK Subsidiary will provide services to China Connect Exchange Participants for the routing of China Connect orders to a China Connect Market System. Where such services are provided, China Connect orders input by a China Connect Exchange Participant into the CSC via a China Connect Central Gateway session will, subject to these Rules, be routed to the relevant China Connect Market System by the SEHK Subsidiary for automatic matching and execution. Any reference in these Rules to “through the China Connect Service” or “through the use of the China Connect Service” shall, unless the context otherwise requires, be construed accordingly.
- (2) In conjunction with the order-routing service referred to in Rule 1403(1), the Exchange may, on its own or through an SEHK Subsidiary, provide related supporting services to China Connect Exchange Participants as the Exchange considers appropriate. These may include the following:
- (a) order receipt and order rejection reporting service in respect of China Connect orders;

- (b) trade confirmation reporting service in respect of China Connect Securities Trades; and
  - (c) order cancellation reporting service in respect of China Connect orders which China Connect Exchange Participants have submitted a cancellation request.
- (3) To facilitate the provision of the order-routing and related supporting services referred to in Rules 1403(1) and (2) by an SEHK Subsidiary to China Connect Exchange Participants, the Exchange will provide the SEHK Subsidiary with technical infrastructure and related support and services on such terms and conditions and upon payment of such fees as the Exchange and the SEHK Subsidiary may from time to time agree.
- (4) The use of the China Connect Service by China Connect Exchange Participants shall be subject to such terms and conditions and the payment of such fees as the Exchange and/or the relevant SEHK Subsidiary may from time to time prescribe.

### **China Connect Exchange Participants and Eligibility Criteria for Registration**

1404. Only China Connect Exchange Participants may use the China Connect Service. An Exchange Participant, other than a China Connect Exchange Participant, who wishes to conduct trading through the China Connect Service for the account of its clients through a China Connect Exchange Participant, whether directly or indirectly, shall refer to and comply with Rule 590.
1405. The Exchange may by notice from time to time prescribe the eligibility criteria for Exchange Participants to be accepted for registration and to remain registered as China Connect Exchange Participants. The Exchange may prescribe different eligibility criteria for registration in respect of different China Connect Markets and different China Connect Securities.
1406. (1) Exchange Participants (whether or not they are CCASS Clearing Participants) shall be eligible to apply for registration and to remain registered as China Connect Exchange Participants provided that:
- (a) they are CCASS Clearing Participants which are and remain registered by HKSCC as China Connect CCASS Clearing Participants for the clearing of their China Connect Securities Trades; or
  - (b) they are not registered by HKSCC as China Connect CCASS Clearing Participants but have entered into a valid, binding and effective CCASS Clearing Agreement with a CCASS GCP which is and remains registered by HKSCC as a China Connect CCASS Clearing Participant for the clearing of its China Connect Securities Trades.

- (2) An Exchange Participant that is a CCASS Clearing Participant shall itself clear, or appoint a CCASS GCP which is registered as a China Connect Clearing Participant to clear, its China Connect Securities Trades. To be accepted for registration and to remain registered as a China Connect Exchange Participant, it must:
  - (a) meet the relevant China Connect Exchange Participant Registration Criteria;
  - (b) be approved as a China Connect Exchange Participant and such approval must not have been withdrawn by the Exchange; and
  - (c) be approved as a China Connect CCASS Clearing Participant and such approval must not have been withdrawn by HKSCC or has entered into a valid, binding and effective CCASS Clearing Agreement with a CCASS GCP which is registered and which remains registered by HKSCC as a China Connect CCASS Clearing Participant for the clearing of its China Connect Securities Trades.
- (3) In the case of an Exchange Participant that is not a CCASS Clearing Participant, to be accepted for registration and to remain registered as a China Connect Exchange Participant, it must:
  - (a) meet the relevant China Connect Exchange Participant Registration Criteria;
  - (b) be approved as a China Connect Exchange Participant and such approval must not have been withdrawn by the Exchange; and
  - (c) have entered into a valid, binding and effective CCASS Clearing Agreement with a CCASS GCP which is registered and which remains registered by HKSCC as a China Connect CCASS Clearing Participant for the clearing of its China Connect Securities Trades and if such CCASS GCP does not also clear its Exchange Trades, it must also have entered into a valid, binding and effective CCASS Clearing Agreement with another CCASS GCP for the clearing of its Exchange Trades.
- (4) Applications under Rule 1406(1) must be made in writing in such form as the Exchange may from time to time prescribe. Exchange Participants may be required to make separate applications with respect to the trading of China Connect Securities in different China Connect Markets.
- (5) The Exchange's decision in respect of an application shall be final and conclusive, and approval may be given subject to such terms and conditions (including such system testing requirements, market readiness rehearsals and market contingency rehearsals) as the Exchange may consider appropriate. Where an application is rejected, the Exchange is not obliged to give any reasons for its decision.

- (6) The Exchange may publish the China Connect Exchange Participant Registration Criteria and a list of the China Connect Exchange Participants registered from time to time on the HKEX website or by such other means as it considers appropriate.
- (7) Exchange Participants must sign an undertaking in the prescribed form with the relevant SEHK Subsidiary prior to their being accepted for registration as China Connect Exchange Participants for trading in a China Connect Market through the use of the China Connect Service. The Exchange may prescribe different forms of undertakings with respect to different China Connect Markets.
- (8) Every China Connect Exchange Participant which has entered into a CCASS Clearing Agreement with a CCASS GCP for the clearing of its China Connect Securities Trades shall give prior notice to the Exchange in writing of the termination of the CCASS Clearing Agreement before it is actually terminated, unless the CCASS GCP has already given notice to terminate the CCASS Clearing Agreement to HKSCC in accordance with the CCASS Rules.

#### **Resignation as a China Connect Exchange Participant**

- 1406A.
- (1) An Exchange Participant may at any time give the Exchange written notice of its intention to resign as a China Connect Exchange Participant.
  - (2) Where a notice under Rule 1406A(1) is given to the Exchange, the resignation of the China Connect Exchange Participant shall be subject to such conditions as the Exchange considers appropriate and shall take effect only after the Exchange has notified its approval in writing, the date on which the resignation is to take effect and any applicable conditions. Pending such approval and before the specified effective date, the China Connect Exchange Participant shall continue to be bound by all relevant provisions of Chapters 14, 14A and 14B.
  - (3) If a China Connect Exchange Participant, in its capacity as an Exchange Participant, gives notice of its cessation of business to the Exchange under Rule 353, such notice shall be deemed to be a notice under Rule 1406A(1) whereupon Rule 1406A shall apply.

#### **China Connect Securities, Special China Connect Securities and China Connect Markets**

1407. The Exchange may (after consulting the relevant China Connect Market Operator) accept any securities that are listed on a China Connect Market as eligible for China Connect buy orders and China Connect sell orders through the use of the China Connect Service, such securities are referred to as “China Connect Securities” in these Rules. The Exchange may apply different criteria in accepting securities as China Connect Securities with respect to different China Connect Markets.

1408. (1) Notwithstanding Rule 1407, the Exchange may (after consulting the relevant China Connect Market Operator) accept or designate any security (including any security not within the scope of Rule 1407) as only eligible for China Connect sell orders and not for China Connect buy orders through the use of the China Connect Service, such securities are referred to as “Special China Connect Securities” in these Rules.
- (2) Where securities are accepted or designated by the Exchange under Rule 1408(1), China Connect Exchange Participants shall not input or accept instructions from any person to input any China Connect buy orders for Special China Connect Securities.
- (3) Unless the context otherwise requires, any reference in these Rules to “China Connect Securities” shall include “Special China Connect Securities”.
1409. (1) The Exchange may establish and maintain the following lists and may publish them on the HKEX website or by such other means as it considers appropriate:
- (a) a list of China Connect Securities referred to in Rule 1407 in respect of a China Connect Market;
  - (b) a list of Special China Connect Securities referred to in Rule 1408(1) in respect of a China Connect Market;
  - (c) a list of China Connect Markets; and
  - (d) a list of China Connect Market Operators.
- (2) The Exchange may (after consulting with the relevant China Connect Market Operator) exclude any securities from the list of China Connect Securities and the list of Special China Connect Securities.

**China Connect Central Gateway Session and Backup China Connect Central Gateway Session**

1410. (1) In order to access the CSC or use the China Connect Service, a China Connect Exchange Participant must apply to the Exchange in the prescribed form for:
- (a) [Repealed]
  - (b) [Repealed]
  - (c) one or more China Connect Central Gateway sessions, and in respect of each China Connect Central Gateway session applied for, a single standard China Connect Central Gateway throttle rate or multiples of a standard China Connect Central Gateway throttle rate (whether by subscribing to the China Connect Monthly Throttle Subscription Scheme or otherwise) for assignment to the China Connect Central Gateway session.

- (2) A China Connect Exchange Participant which has connected its BSS with the China Connect Central Gateway via its China Connect Central Gateway session in accordance with Rule 1411(1) may, subject to Rule 1414(1), apply to the Exchange in the prescribed form for a Backup China Connect Central Gateway session to backup such China Connect Central Gateway session.
  - (3) Applications made under Rules 1410(1) and (2) are subject to the approval of the Exchange on such terms and conditions and payment of such fees and charges as the Exchange may consider appropriate. The Exchange's decision in respect of an application shall be final and conclusive. Where an application is rejected, the Exchange is not obliged to give any reasons for its decision.
1411.
  - (1) Upon approval of an application made under Rule 1410(1) or Rule 1413(5), a China Connect Exchange Participant may:
    - (a) [Repealed]
    - (b) [Repealed]
    - (c) connect its BSS with the China Connect Central Gateway via its China Connect Central Gateway session.
  - (2) Where an application for a Backup China Connect Central Gateway session under Rule 1410(2) is approved, the Backup China Connect Central Gateway session shall be used for backup purposes in accordance with Rule 1414.
  - (3) A China Connect Exchange Participant shall comply with all such terms and conditions and pay all such fees and charges as the Exchange may prescribe from time to time with respect to the use of a China Connect Central Gateway session, a standard China Connect Central Gateway throttle rate and/or a Backup China Connect Central Gateway session.
1412.
  - (1) Notwithstanding Rules 1411, 1413(5) and 1414, the Exchange has the right to suspend, withdraw or revoke a China Connect Exchange Participant's use of a China Connect Central Gateway session or a Backup China Connect Central Gateway session or access to the CSC on such terms and for such period as the Exchange thinks fit, whether requested by the China Connect Exchange Participant or not.
  - (2) A China Connect Exchange Participant may request the Exchange to suspend, withdraw or revoke its use of any China Connect Central Gateway session, Backup China Connect Central Gateway session or access to the CSC any time.
  - (3) [Repealed]
  - (4) A China Connect Exchange Participant shall ensure that only it or its Authorized Persons can operate or have access to a China Connect Central Gateway session or a Backup China Connect Central Gateway session, and shall be solely responsible

and liable for monitoring and supervising such grant of access and operation by it or its Authorized Persons. A China Connect Exchange Participant shall be fully liable for any consequences resulting from any unauthorized use of its China Connect Central Gateway sessions or Backup China Connect Central Gateway sessions.

- (5) [Repealed]
- (6) A China Connect Exchange Participant shall ensure that its BSS is operated in such a way as not to affect the proper functioning of the CSC.
- (7) A China Connect Exchange Participant shall submit to the Exchange a declaration in a form prescribed by the Exchange from time to time in relation to its BSS:
  - (a) prior to the connection or re-connection of its BSS to the China Connect Central Gateway via a China Connect Central Gateway session; and
  - (b) prior to the implementation of material changes to its BSS or at any time as required by the Exchange during any period that its BSS is connected to the China Connect Central Gateway.

#### **Increase and Transfer of China Connect Central Gateway Throughput Rate**

- 1413.
- (1) The Exchange may, upon the application of a China Connect Exchange Participant, approve the increase of the throughput rate of a China Connect order into the CSC via a China Connect Central Gateway session under this Rule 1413(1) or, in the case of an increase on a monthly basis, under Rule 1413A(1). An application for an increase in the throughput rate shall be for a standard China Connect Central Gateway throttle rate or multiples of a standard China Connect Central Gateway throttle rate.
  - (2) The Exchange may, upon the application of a China Connect Exchange Participant that has more than one China Connect Central Gateway session, approve the transfer of any standard China Connect Central Gateway throttle rate (whether under the China Connect Monthly Throttle Subscription Scheme or otherwise) assigned to one of its China Connect Central Gateway sessions to another China Connect Central Gateway session of the China Connect Exchange Participant.
  - (3) The Exchange may, upon the application of a China Connect Exchange Participant, approve the transfer of any standard China Connect Central Gateway throttle rate (whether under the China Connect Monthly Throttle Subscription Scheme or otherwise) assigned to an existing China Connect Central Gateway session of such China Connect Exchange Participant to a new China Connect Central Gateway session of such China Connect Exchange Participant approved under Rule 1413(5).
  - (4) The Exchange may, upon the application of a China Connect Exchange Participant, approve the transfer of any standard China Connect Central Gateway throttle rate (whether under the China Connect Monthly Throttle Subscription Scheme or otherwise) assigned to a China Connect Central Gateway session of such China Connect Exchange Participant to a China Connect Central Gateway

session of any of its group companies.

- (5) The Exchange may, upon the application of a China Connect Exchange Participant which already has a China Connect Central Gateway session, approve the application of the China Connect Exchange Participant for a new China Connect Central Gateway session.
- (6) Applications made by a China Connect Exchange Participant under Rules 1413(1) to (5) shall be subject to the approval of the Exchange on such terms and conditions and payment of such fees and charges as the Exchange may consider appropriate from time to time. The Exchange's decision in respect of an application shall be final and conclusive. Where an application is rejected, the Exchange is not obliged to give any reasons for its decision.

### **China Connect Monthly Throttle Subscription Scheme**

- 1413A.
- (1) The Exchange may, upon the application of a China Connect Exchange Participant with a China Connect Central Gateway session, approve the subscription of a single or multiples of a standard China Connect Central Gateway throttle rate on a monthly basis (the "China Connect Monthly Throttle Subscription Scheme"). An application for the subscription of the China Connect Monthly Throttle Subscription Scheme shall be for a single or multiples of a standard China Connect Central Gateway throttle rate.
  - (2) The Exchange may impose a maximum number of standard China Connect Central Gateway throttle rates that may be granted to a China Connect Exchange Participant under the China Connect Monthly Throttle Subscription Scheme.
  - (3) Applications made by a China Connect Exchange Participant under Rule 1413A(1) shall be subject to the approval of the Exchange on such terms and conditions and payment of such fees and charges as the Exchange may consider appropriate from time to time. The Exchange's decision in respect of an application shall be final and conclusive. Where an application is rejected, the Exchange is not obliged to give any reasons for its decision.

### **Use of Backup China Connect Central Gateway session**

- 1414.
- (1) The number of Backup China Connect Central Gateway sessions that a China Connect Exchange Participant may apply for under Rule 1410(2) must not exceed the total number of China Connect Central Gateway sessions connected to the China Connect Central Gateway at the time of the application. The number of standard China Connect Central Gateway throttle rates to be assigned to a Backup China Connect Central Gateway session for the backup of a China Connect Central Gateway session must be the same as the number of standard China Connect Central Gateway throttle rates assigned to that China Connect Central Gateway session.
  - (2) [Repealed]
  - (3) [Repealed]

- (4) Notwithstanding anything to the contrary contained in these Rules, upon activation of a Backup China Connect Central Gateway session by the China Connect Exchange Participant, such Backup China Connect Central Gateway session shall for the purposes of these Rules be deemed as a “China Connect Central Gateway session” as defined and shall be used as such by the China Connect Exchange Participant until such time as it is de-activated by the China Connect Exchange Participant.
- (5) [Repealed]

### **Operational Hours of the China Connect Service**

1415. (1) The Exchange has absolute discretion to determine from time to time the operational hours of the China Connect Service, including the arrangements relating to the hoisting and lowering of Typhoon Signals, announcement and cancellation of Extreme Conditions and the issuance and cancellation of Black Rainstorm Warnings. The Exchange will prescribe the operational hours and related arrangements of the China Connect Service by making rules or through publication on the HKEX website or such other means as the Exchange considers appropriate. Different operational hours and arrangements may be prescribed in respect of different China Connect Markets.
- (2) The Exchange has absolute discretion to change the operational hours and arrangements of the China Connect Service at any time and without advance notice, whether on a temporary basis, due to operational needs, inclement weather, under emergency situations or otherwise. Except in the case of emergency, changes will be announced on the HKEX website or through such other means as the Exchange considers appropriate.

### **Order Input and Transactions Executed Through the China Connect Service**

1416. For China Connect orders to be routed to a China Connect Market for automatic matching and execution, a China Connect Exchange Participant must input such China Connect orders into the CSC via a China Connect Central Gateway session connected with its BSS. A China Connect Exchange Participant shall at all times be responsible for all the China Connect orders routed through its China Connect Central Gateway sessions to the relevant China Connect Market irrespective of whether the China Connect orders are executed on the China Connect Market System or not. Where China Connect orders are executed, a China Connect Exchange Participant shall bear responsibility for the China Connect Securities Trades.
1417. The Exchange has absolute discretion to determine the types of China Connect orders that may be input by a China Connect Exchange Participant. Such order types may differ for different China Connect Markets and/or different China Connect Securities. The Exchange will prescribe or change the order types to be used for a China Connect Market by making rules or through publication on the HKEX website or such other means as the Exchange considers appropriate.
1418. Without limiting Rule 1417, China Connect Exchange Participants must input China Connect orders in accordance with and subject to the scale of spreads, limitations on lot size, price limit, order size and other quotation requirements or restrictions (including

but not limited to shareholding restrictions, restrictions on turnaround trading arrangements and any form of circuit breaker mechanism) set by the China Connect Market Operator for or otherwise applicable to the relevant China Connect Market from time to time. Different quotation requirements or restrictions may apply to different China Connect Markets and different China Connect Securities. The Exchange will set out such requirements or restrictions as are communicated to the Exchange by the relevant China Connect Market Operator by making rules or through publication on the HKEX website or such other means as it considers appropriate. The Exchange has the power to reject China Connect orders that do not comply with the relevant requirements and restrictions. Further, the Exchange has absolute discretion to prescribe additional quotation requirements or restrictions under Rule 1430.

1419. Unless the Exchange otherwise determines, China Connect orders shall be made in RMB.
1420. Unless the Exchange otherwise determines, all inputs into the CSC via a China Connect Central Gateway session of a China Connect Exchange Participant are valid and binding on the China Connect Exchange Participant subject to these Rules, and by inputting a China Connect order into the CSC, a China Connect Exchange Participant is deemed to have authorised the relevant SEHK Subsidiary to route such China Connect order through the China Connect Service to the relevant China Connect Market System for automatic matching and execution. A China Connect Exchange Participant shall be responsible for the accuracy of all information and messages input into the CSC via a China Connect Central Gateway session of the China Connect Exchange Participant, and it is deemed to have authorised and have knowledge of all inputs that bear the China Connect Exchange Participant's unique identifier.
1421. (1) A China Connect Exchange Participant shall not accept instructions from any client to sell or buy China Connect Securities through the China Connect Service which may be in breach of or not be in compliance with any provision in these Rules that applies to the use of the China Connect Service or the trading of China Connect Securities or in China Connect Markets.
- (2) Before a China Connect Exchange Participant inputs a China Connect sell order for routing through the China Connect Service, it shall ensure that it or its clients have sufficient securities at the time of placement of such order to settle the delivery obligation assuming that the China Connect order will be matched and executed on the relevant China Connect Market System.
1422. A China Connect order input by a China Connect Exchange Participant may, subject to the rules of the relevant China Connect Market Operator that apply to the relevant SEHK Subsidiary (including without limitation any form of circuit breaker mechanism), be cancelled at the request of the China Connect Exchange Participant through the input of a cancellation request into the CSC via a China Connect Central Gateway session provided that such China Connect order has not been matched or executed by the relevant China Connect Market System. No China Connect order is regarded as cancelled unless and until a cancellation confirmation has been issued by the relevant China Connect Market System. Neither the Exchange nor the relevant SEHK Subsidiary shall have any liability in the event that a China Connect order which a China Connect Exchange Participant has requested be cancelled is not cancelled for any reason whatsoever.

1423. Unless the Exchange otherwise determines, all China Connect Securities Trades executed by a China Connect Exchange Participant, whether as agent or principal, shall be binding on the China Connect Exchange Participant and cannot be revoked, amended or cancelled.
1424. Where a China Connect buy order is executed through the use of the China Connect Service by a China Connect Exchange Participant, the China Connect Exchange Participant shall ensure that it or its clients will have sufficient funds to settle the payment obligation of the China Connect Exchange Participant on the settlement day. Funds should be sufficient to cover all fees, charges and taxes payable in respect of the purchase of the relevant China Connect Securities on the relevant China Connect Market.
1425. All China Connect Securities Trades shall be settled through CCASS in accordance with the CCASS Rules. Where a China Connect order is executed on a China Connect Market System through the use of the China Connect Service by a China Connect Exchange Participant, the China Connect Exchange Participant shall cause such transaction to be settled through CCASS as a China Connect Securities Trade in accordance with the CCASS Rules.

**Broker-to-Client Assigned Number (BCAN)**

- 1425A. (1) (a) A China Connect Exchange Participant shall ensure that each of its clients who buys or sells China Connect Securities is assigned a BCAN.
- (b) If a client holds multiple accounts with a China Connect Exchange Participant, a single BCAN shall be assigned to identify such client, unless the other account(s) of the China Connect Exchange Participant are held by the client jointly with any other person in which case a separate BCAN in respect of the China Connect orders for such joint account shall be assigned.
- (c) If a China Connect Exchange Participant and/or any of its group companies will buy or sell China Connect Securities as principal or on a proprietary basis, the China Connect Exchange Participant shall assign a BCAN to identify itself and a separate BCAN to identify each of the relevant group companies as if they were clients of the China Connect Exchange Participant.
- (d) For the purposes of this Rule 1425A, “client” shall mean:
- (i) a direct client of a China Connect Exchange Participant; or
- (ii) an indirect client whose BCAN may from time to time be required by the Exchange to be included in an order that is inputted by the China Connect Exchange Participant into the CSC, including without limitation and unless otherwise prescribed by the Exchange, any direct client of a group company of the China Connect Exchange Participant if the group company itself is a direct or, through any other group companies, an indirect client of the China Connect

## Exchange Participant.

If the China Connect Exchange Participant's direct client is an Exchange Participant trading through the China Connect Exchange Participant pursuant to Rule 590, the China Connect Exchange Participant shall (i) provide sufficient BCANs to such Exchange Participant to enable it to assign a BCAN to each of its clients in accordance with this Rule 1425A(1) and (ii) submit a list of such Exchange Participants so that they can provide the BCANs and CID of their clients in the form of a BCAN-CID Mapping File to the Exchange in accordance with Rule 1425A(2).

- (e) A China Connect Exchange Participant shall ensure that the BCAN assigned to a client will not be changed or re-used for another client unless such modification is necessary due to system upgrades or other exceptional cases and the Exchange's prior written approval is obtained.
- (2) In order to input a China Connect order into the CSC for the account of a client on a CSC trading day ("T day"), a China Connect Exchange Participant must on or before the previous CSC trading day, unless otherwise permitted by the Exchange ("T-1 day"), have provided the BCAN and CID of such client in the form of a BCAN-CID Mapping File to the Exchange for validation.
- (3) A China Connect Exchange Participant shall ensure that the CID in the BCAN-CID Mapping File is accurate and up to date. A China Connect Exchange Participant may report any correction or update of the CID to the Exchange in such manner and by such deadline as may be prescribed by the Exchange from time to time.
- (4) When inputting a China Connect order into the CSC, a China Connect Exchange Participant shall include the corresponding BCAN in such manner as the Exchange may from time to time prescribe. A China Connect order will be rejected if no BCAN is included or the BCAN included is invalid or deficient.
- (5) A China Connect Exchange Participant shall ensure that all necessary authorizations and written consents are obtained from each individual client regarding the collection, storage, use, disclosure and transfer of personal data in relation to such client's BCANs and CID, including authorizations and consents which:
  - (a) allow the China Connect Exchange Participant to (i) disclose and transfer the client's BCANs and CID to the Exchange and the relevant SEHK Subsidiary from time to time; and (ii) indicate the client's BCAN when inputting a China Connect order into the CSC which will be further routed to the relevant China Connect Market Operator on a real-time basis;
  - (b) allow each of the Exchange and the relevant SEHK Subsidiary to: (i) collect, use and store BCANs and CID and any consolidated, validated and mapped BCANs and CID information provided by the relevant China Connect Clearing House (in the case of storage, by any of them or via HKEX) for market surveillance and monitoring purposes and enforcement of these Rules; (ii) transfer such information to the relevant China

Connect Market Operator (directly or through the relevant China Connect Clearing House) from time to time for the purposes stated in Rule 1425A(5)(c) and (d); and (iii) disclose such information to the relevant regulators and law enforcement agencies in Hong Kong so as to facilitate the performance of their statutory functions with respect to the Hong Kong financial markets;

- (c) allow the relevant China Connect Clearing House to: (i) collect, use and store the client's BCANs and CID to facilitate the consolidation and validation of BCANs and CID and the mapping of BCANs and CID with its own investor identification database and provide such consolidated, validated and mapped BCANs and CID information to the relevant China Connect Market Operator, the Exchange and the relevant SEHK Subsidiary; (ii) use the client's BCANs and CID for the performance of its regulatory functions of securities account management; and (iii) disclose such information to the Mainland regulatory authorities and law enforcement agencies having jurisdiction over it so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the Mainland financial markets; and
- (d) allow the relevant China Connect Market Operator to (i) collect, use and store BCANs and CID to facilitate its surveillance and monitoring of securities trading on the relevant China Connect Market through the use of the China Connect Service and enforcement of the rules of the relevant China Connect Market Operator; and (ii) disclose such information to the Mainland regulatory authorities and law enforcement agencies so as to facilitate the performance of their regulatory, surveillance and enforcement functions with respect to the Mainland financial markets,

in each case in full compliance with all applicable laws including the Personal Data (Privacy) Ordinance and such that any subsequent purported withdrawal of authorization or consent by an individual client will not affect the China Connect Exchange Participant's continued storage, use, disclosure and transfer of personal data for the above purposes in respect of trading in China Connect Securities conducted for the account of the individual client.

- (6) If the necessary authorizations and consents from a client in relation to the collection, storage, use, disclosure and transfer of the BCAN and CID as required under these Rules cannot be obtained by a China Connect Exchange Participant or are otherwise invalid or deficient, the China Connect Exchange Participant may, without prejudice to Rule 1425A(4), only input China Connect sell orders (but not any buy order) into the CSC for the account of such client. The Exchange may impose such criteria, conditions and requirements as the Exchange may in its sole discretion consider appropriate from time to time to determine the China Connect orders which may be allowed to be inputted into the CSC for such client under such circumstances.
- (7) A China Connect Exchange Participant which has included an incorrect BCAN when inputting a China Connect order into the CSC shall promptly cancel the China Connect order through the input of a cancellation request into the CSC if such China Connect order has not been matched or executed by the relevant

China Connect Market System. If such China Connect order has been matched or executed by the relevant China Connect Market System, the China Connect Exchange Participant shall report any correction of BCAN to the Exchange at such time and in such manner as the Exchange may prescribe from time to time.

- (8) In addition to any other powers that the Exchange may have under these Rules, the Exchange may at any time require a China Connect Exchange Participant to provide the Exchange with such information as it may request to assess whether there is, or the extent of, any non-compliance with the requirements set out in this Rule 1425A.
- (9) For the purpose of this Rule 1425A and without prejudice to Rule 590, unless the context otherwise requires, China Connect Exchange Participant includes an Exchange Participant, other than a China Connect Exchange Participant, who conducts or intends to conduct trading in China Connect Securities through the China Connect Service for the account of its clients through a China Connect Exchange Participant, whether directly or indirectly.

### **Quotas on the Trading of China Connect Securities**

1426. Relevant governmental or regulatory bodies may impose quotas on the trading of China Connect Securities from time to time depending on market conditions and readiness, the level of cross-boundary fund flows, stability of the markets and other factors and considerations. Where quotas are imposed in respect of a China Connect Market, the Exchange will prescribe relevant details including the quota limit, level of quota utilisation, balance of available quota and the applicable restrictions and arrangements by making rules or through publication on the HKEX website or such other means as the Exchange considers appropriate.

1427. Where a quota referred to in Rule 1426 is imposed, the Exchange has absolute discretion to take all such actions, steps or measures as it considers necessary or appropriate to ensure or facilitate compliance with the relevant quota requirements or restrictions including, without limitation, the following:

- (a) restricting or rejecting China Connect buy orders;
- (b) suspending or restricting the access to or the use of all or any part of the China Connect Service under Rule 1438 or 1439; and
- (c) amending the operational hours and related arrangements of the China Connect Service under Rule 1415,

provided that China Connect sell orders will not be restricted or rejected so long as the Exchange considers it appropriate to make the China Connect Service or any part of it available. China Connect Exchange Participants shall comply with all such actions, steps or measures as are taken or required by the Exchange.

1428. (1) A China Connect Exchange Participant shall not enter into or carry out, directly or indirectly, any fictitious or artificial transaction or device or any other act with the intention that, or being reckless as to whether, it has or is likely to have the effect of artificially using or filling any quota or quota balance referred to in Rule

1426 or causing any such quota limit to be exceeded, whether through artificial, unauthorised or bulk input of China Connect buy orders, input of China Connect buy orders at an artificially low price, or through the creation of a false market in, or a misleading appearance of active China Connect orders for, any China Connect Securities or otherwise.

- (2) For the purpose of preventing the acts referred to in Rule 1428(1), the Exchange and the relevant SEHK Subsidiary may set restrictions in the CSC and related system connections to block the input of China Connect orders at an artificially low price at such thresholds as the Exchange and the relevant SEHK Subsidiary may consider appropriate.

### **Fees and Charges on the Trading of China Connect Securities**

1429. China Connect Exchange Participants shall pay all fees, charges, levies and taxes payable in respect of the buying and selling of China Connect Securities as required by the relevant China Connect Market Operator and applicable laws from time to time. The Exchange will provide information on such fees, charges, levies and taxes payable in respect of a China Connect Market as are communicated to it by the relevant China Connect Market Operator and the manner of collection by making rules or through publication on the HKEX website or such other means as the Exchange considers appropriate.
- 1429A. China Connect Exchange Participants shall pay the Investor Compensation Levy on their China Connect Securities Trades to the Exchange in accordance with Chapter 11.

### **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, any form of circuit breaker mechanism, 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.
1431. Where any condition or restriction referred to in Rule 1430 is imposed, the Exchange has absolute discretion to take all such actions, steps or measures as it considers necessary or appropriate to ensure or facilitate compliance with such condition or restriction including, without limitation, the following:

- (1) restricting or rejecting China Connect buy orders in respect of any or all of the China Connect Securities;
- (2) suspending or restricting the access to or use of all or any part of the China Connect Service under Rule 1438 or 1439;
- (3) amending the operational hours and related arrangements of the China Connect Service under Rule 1415;
- (4) imposing a forced sale of the relevant China Connect Securities in circumstances where a shareholding limit under applicable laws is or may be breached or exceeded; and
- (5) taking actions as required under the applicable laws or as requested by the Commission, a relevant governmental or regulatory body or a China Connect Market Operator,

provided that China Connect sell orders will not be restricted or rejected so long as the Exchange considers it appropriate to make the China Connect Service or any part of it available. China Connect Exchange Participants shall comply with all such actions, steps or measures as are taken or required by the Exchange.

#### **Compliance with Applicable Laws and the Rules**

1432. By applying for registration and being registered as a China Connect Exchange Participant, a China Connect Exchange Participant agrees, and represents to the Exchange, that it shall, and shall ensure that its Authorized Persons, Responsible Officers, directors, managers, officers, employees, representatives and persons acting on its behalf shall, for so long as the China Connect Exchange Participant remains registered as a China Connect Exchange Participant, comply with and abide by all applicable laws with regard to the trading of China Connect Securities on the relevant China Connect Market including but not limited to laws and regulations prohibiting insider dealing, market manipulation, price rigging, false trading or the creation of a false or misleading appearance of active trading on any China Connect Securities.
1433. By applying for registration and being registered as a China Connect Exchange Participant, a China Connect Exchange Participant agrees, and represents to the Exchange, that it shall, and shall ensure that its Authorized Persons, Responsible Officers, directors, managers, officers, employees, representatives and persons acting on its behalf shall, for so long as the China Connect Exchange Participant remains registered as a China Connect Exchange Participant, comply with and abide by these Rules and any requirements, conditions, restrictions, arrangements and other stipulations that may be issued or published pursuant to these Rules with regard to the trading of China Connect Securities or the access to or use of the China Connect Service. The prohibitions in Rule 545 on market misconduct shall apply to China Connect Exchange Participants in relation to their use of the China Connect Service, provided that any reference in Rule 545 to securities traded on the Exchange shall be construed, *mutatis mutandis*, to include China Connect Securities.
1434. For informational purposes only, the Exchange may publish or make available on the HKEX website or through such other means as the Exchange considers appropriate a list

of laws, rules and regulations of Mainland China which may be relevant to the trading of China Connect Securities on the relevant China Connect Market. Publication of such list by the Exchange shall be for ease of reference only and shall not be regarded as the giving of legal or professional advice by the Exchange to any China Connect Market Participants. The Exchange does not make any representations or warranties as to the accuracy, completeness, suitability or timeliness of any of the information included in such list and does not accept any liability for any person's reliance or use of the information. Each China Connect Exchange Participant shall be responsible on an ongoing basis for seeking its own advice with regard to compliance with applicable laws as may be in force from time to time.

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.
- (2) Without prejudice to Rule 569A, the Exchange may, without obtaining the prior approval of a China Connect Exchange Participant, disclose information concerning the China Connect Exchange Participant (including information relating to its use of the China Connect Service, the China Connect orders and , order cancellation requests input by it and China Connect Securities Trades made by it) to the China Connect Market Operator which operates the China Connect Market and the relevant governmental or regulatory bodies.
- (3) Without prejudice to the generality of Rule 569B, the Board may direct a China Connect Exchange Participant to provide the Exchange with such information or documents in Chinese (or where the information or document is not in the Chinese language, a Chinese translation thereof) as may be required by a China Connect Market Operator or a relevant governmental or regulatory body for the purpose of any investigation or otherwise pursuant to Rule 569B within a period specified by the Exchange.
1436. The Exchange may at any time and on such terms as it thinks fit revoke or terminate an Exchange Participant's registration as a China Connect Exchange Participant, or suspend, restrict or terminate a China Connect Exchange Participant's access to or use of the China Connect Service in respect of any China Connect Market or any part thereof, or suspend or restrict a China Connect Exchange Participant from inputting China Connect orders under any specified BCAN where the Exchange considers it appropriate and reasonable to do so (including where the China Connect Exchange Participant fails to comply with these Rules). Before the revocation or termination of an Exchange Participant's registration as a China Connect Exchange Participant takes effect, the China Connect Exchange Participant shall continue to be bound by all relevant provisions of Chapters 14, 14A and 14B.
1437. In the event that the Exchange, an 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 within such period 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. The Exchange may require the relevant China Connect Exchange Participant to provide information on the identity, address and contact details of the person or entity (legal or otherwise) ultimately responsible for originating the instruction in relation to a China Connect Securities Trade (and the instruction given) and of the person or entity (legal or otherwise) that stands to gain the commercial or economic benefit of the China Connect Securities Trade and/or bear its commercial or economic risk and such other information within such period as the Exchange may request;
- (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 or not to accept or input China Connect orders under any BCAN; and
- (3) commence disciplinary action against the relevant China Connect Exchange Participant for its failure to comply with Rule 1432 or 1433.

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

- 1438.
- (1) The Exchange or the relevant SEHK Subsidiary (after consulting the Exchange) may temporarily suspend or restrict the China Connect Service in respect of a China Connect Market or any part thereof in its sole and absolute discretion. Suspension or restriction may be in respect of all or part of the order-routing and related supporting services or with regard to all or any China Connect Securities or one or more China Connect Markets, and for such duration and frequency as the Exchange may consider appropriate.
  - (2) The circumstances under which the powers under Rule 1438(1) may be exercised include, without limitation, the following:
    - (a) in the judgement of the Exchange or the relevant SEHK Subsidiary (after consulting the Exchange), any applicable quota prescribed under Rule 1426 or 1427 may not be sufficient to support the fulfilment of China Connect orders, or any restrictions or measures put in place for quota management as referred to in Rule 1428 may not be effective;
    - (b) in the judgement of the Exchange or the relevant 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;

- (c) in the judgement of the Exchange or the relevant SEHK Subsidiary (after consulting the Exchange), the normal operation of any Trading Link is affected or there are operational or technical issues which must be resolved before the China Connect Service should continue to be made available or not be restricted;
  - (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 relevant 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 Clearing Link 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 relevant 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.
- (3) If the Exchange or an SEHK Subsidiary decides to suspend or restrict the China Connect Service or any part thereof under Rule 1438(1), the Exchange shall (except in the case of emergency) publish an announcement on the HKEX website or by such other means as the Exchange considers appropriate, stating the nature of the suspension or restriction, the effective date and time of suspension or restriction and any other information as the Exchange considers appropriate.

1439. If, in the opinion of the Exchange or the relevant SEHK Subsidiary (after consulting the Exchange), the operation or functioning of the China Connect Service in respect of a China Connect Market or any part thereof 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, Extreme Conditions, 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 relevant 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 in respect of any China Connect Market or any part thereof, change the relevant 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 relevant China Connect Market System.

1440. The Exchange or the relevant SEHK Subsidiary (with the agreement of the Exchange) may, in respect of any or all of the China Connect Markets (in the case of the Exchange) and in respect of the relevant China Connect Market (in the case of the SEHK Subsidiary), decide to cease the provision of the China Connect Service and the relevant part or parts of the operation of the CSC permanently, with immediate effect or otherwise by publishing an announcement on the HKEX website or through such other means as the Exchange considers appropriate. Subject to the requirements of the relevant governmental or regulatory bodies, the Exchange and the relevant China Connect Market Operator will cooperate to implement the winding-down arrangements in respect of the relevant Trading Link as the Exchange and the relevant China Connect Market Operator may from time to time agree.

#### **Disclosure of Information and Publication of Trade Information**

1441. (1) In addition to other powers which the Exchange may have in these Rules, the Exchange may require China Connect Exchange Participants to provide, in relation to each China Connect Market, information on their clients' profiles, and the type and value of China Connect orders and the China Connect Securities Trades executed for them at such intervals and in such form as the Exchange may specify from time to time.
- (2) Without prejudice to any other rights which it may have to disclose information in its possession, the Exchange may, in respect of any one or more China Connect Markets and in such manner and form and at such intervals as it considers appropriate, publish, disseminate or publicly distribute aggregated information in respect of China Connect Securities Trades, trading volumes, investor profiles and other related data, provided that the identities of investors and China Connect Exchange Participants cannot reasonably be determined from the information published, disseminated or publicly distributed by the Exchange.

#### **Responsibilities of the Exchange and the SEHK Subsidiaries**

1442. In allowing access to the CSC or making the China Connect Service available, the Exchange and the SEHK Subsidiaries 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 Subsidiaries 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 relevant 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, any transaction concluded through the use of the China Connect Service by the China Connect Exchange Participant or any non-compliance by the China Connect Exchange Participant with any provision of this Chapter 14 and the applicable China Connect Service Special Rules and for all losses, damages, costs and expenses incurred by the Exchange, HKEX, the relevant 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 Subsidiaries, 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:

- (1) a suspension, restriction or cessation of the China Connect Service or the CSC, any inability to access or use the CSC or the China Connect Service or any rejection of China Connect orders inputted under any BCAN;
- (2) any special arrangement put in place or any action, step or measure taken or not taken to deal with an emergency, including but not limited to the cancellation of any or all China Connect orders input by China Connect Exchange Participants;
- (3) the trading of any China Connect Securities through the use of the China Connect Service;
- (4) any suspension, delay, interruption or cessation of trading of any China Connect Securities on a China Connect Market whether as a result of the imposition of any circuit breaker mechanism or due to any other reasons;
- (5) any delay or failure to route any China Connect orders, order cancellation requests or to provide the China Connect Service due to any system or connection failure, power outage, software or hardware malfunction or events beyond the control of the Exchange;
- (6) any abnormal trading in any China Connect Market or any delay, failure or error of any China Connect Market System or any system which an SEHK Subsidiary uses or relies on to provide the China Connect Service;
- (7) any delay or failure to execute, or any error in matching or executing any, China Connect order due to reasons beyond the control of the Exchange, HKEX or the SEHK Subsidiaries including but not limited to any action or decision taken or made, or not taken or made, by any China Connect Market Operator or a relevant governmental or regulatory body;
- (8) any delay, failure or error of any China Connect Market Operator in communicating any quotation requirements or restrictions, fees, charges, levies and taxes payable in respect of the trading of any China Connect Securities set or prescribed by the China Connect Market Operator or the relevant governmental

or regulatory bodies to the Exchange as referred to in Rules 1418 and 1429;

- (9) the imposition, introduction or change of any quota or quota limit, or any condition, restriction or requirement on the input or cancellation of China Connect orders, the trading of China Connect Securities or the use of the China Connect Service under these Rules;
- (10) any consequences arising from unauthorized access to the CSC via a China Connect Central Gateway session or Backup China Connect Central Gateway session of a China Connect Exchange Participant;
- (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;
- (13) the taking of any action or the exercise of any discretion, or not doing so, by the Exchange, HKEX or an SEHK Subsidiary pursuant to these Rules or otherwise;  
and
- (14) the collection, storage, use, disclosure and transfer of BCANs and CID as provided for in these Rules.

#### **China Connect Service Special Rules**

- 1444.
- (1) As set out in various parts of this Chapter 14, the Exchange may prescribe rules that govern China Connect Exchange Participants when trading in a China Connect Market. Different rules may be prescribed in respect of different China Connect Markets and different China Connect Securities.
  - (2) In addition to this Chapter, China Connect Exchange Participants engaged in the trading of securities listed on the Shanghai Stock Exchange through the use of the China Connect Service shall comply with Chapter 14A.
  - (3) In addition to this Chapter, China Connect Exchange Participants engaged in the trading of securities listed on the Shenzhen Stock Exchange through the use of the China Connect Service shall comply with Chapter 14B.