

## CHAPTER 14B

### CHINA CONNECT SERVICE - SHENZHEN

#### Application

- 14B01. (1) This Chapter 14B sets out the China Connect Service Special Rules that apply to Shenzhen-Hong Kong Stock Connect as a Trading Link referred to in Rule 1401, and the use of the China Connect Service for the trading of securities listed on SZSE as a China Connect Market.
- (2) China Connect Exchange Participants who wish to trade in eligible SZSE-listed securities through the China Connect Service or engage in margin trading, securities borrowing and lending and short selling activities of eligible SZSE-listed securities shall comply with this Chapter.
- (3) The general provisions of Chapter 14 on the China Connect Service apply to the trading of SZSE-listed securities as China Connect Securities and shall be read in conjunction with this Chapter.

#### Interpretation

- 14B02. (1) Unless defined or specified in this Rule 14B02 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:

“A shares”	means the shares of Mainland China-incorporated companies which are accepted for listing and admitted to trading on the stock exchanges of Mainland China from time to time;
“China Connect order”	has the meaning as defined in Chapter 1 and in the context of this Chapter, shall be construed in light of the SZSE Market System being the “China Connect Market System”;
“China Connect Securities”	has the meaning as defined in Chapter 1 and in the context of this Chapter, shall be construed in light of the eligible securities listed on SZSE being accepted as “China Connect Securities”, under Rule 14B04;
“China Connect Securities Trade”	has the meaning as defined in Chapter 1 and in the context of this Chapter, shall be construed in light of the SZSE Market being the “China Connect Market”;
“ChiNext shares”	means the A shares which are accepted for listing and admitted to trading on the SZSE

	ChiNext from time to time;
“Circuit Breaker Provisions”	means the relevant provisions in the SZSE Rules under which SZSE Circuit Breakers may be imposed for the purpose of, among others, minimising or averting substantial upward or downward price movements of securities traded on the SZSE Market including all related provisions on the application and lifting of SZSE Circuit Breakers;
“Daily Quota”	means the daily quota of RMB 52 billion for Shenzhen-Hong Kong Stock Connect as announced by the CSRC and the Commission on 11 April 2018 or such revised amount as both regulators shall decide from time to time;
“Daily Quota Balance”	has the meaning ascribed to it in Rule 14B07(3);
“DVR structure”	means a structure of an issuer, the shares of which are accepted for listing and admitted to trading on the SZSE Market from time to time, that results in differentiated voting rights, and “DVR stock” shall be construed accordingly;
“H shares”	means the shares of Mainland China-incorporated companies which are accepted for listing and admitted to trading on the Exchange from time to time;
“Margin Trading”	means the purchase of eligible China Connect Securities referred to in Rule 14B15 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;
“Master SPSA Holder”	has the same meaning as defined in the HKSCC Rules;
“Master SPSA ID”	has the same meaning as defined in the HKSCC 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;
“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 SZSE Market System;
“operational hours”	means the hours in a CSC trading day during which the China Connect Service is available for order-routing of China Connect orders, as referred to in Rule 14B03(4);
“price stabilization period”	in relation to the listing of H shares on the Exchange, means the price stabilization period referred to in the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) and as set out in the prospectus of the relevant H shares;
“Qualified Institution”	in relation to the Securities Borrowing and Lending of China Connect Securities referred to in Rule 14B16, means: <ul style="list-style-type: none"> <li>(a) any fund, Exchange Traded Fund or collective investment scheme managed by a person licensed or registered to carry out Type 9 (asset management) regulated activity under the Ordinance;</li> <li>(b) a participant of HKSCC (other than an Investor Participant as defined in the HKSCC Rules); or</li> <li>(c) any other person accepted or specified by SZSE;</li> </ul>
“Securities Borrowing and Lending Arrangement”	means an arrangement permitted under Rule 14B16 whereby the persons referred to in Rules 14B16(4) to (7) borrow or lend China Connect Securities for the purposes mentioned in Rule 14B16(2) pursuant to a securities borrowing and lending agreement, and references to “Securities Borrowing and Lending”, “Securities Lender”, “Securities

	Borrower”, “lend” and “borrow” shall be construed accordingly;
“SEHK Subsidiary”	has the meaning as defined in Chapter 1 and in this Chapter, means Gangyu Information Services (Shenzhen) Limited;
“Shenzhen-Hong Kong Stock Connect”	means the programme jointly announced by the CSRC and the Commission dated 16 August 2016 comprising, among others, the order-routing arrangements to be entered into between the Exchange, SZSE, the SEHK Subsidiary and a subsidiary of SZSE which shall become a Special Participant, and any enhancements and expansions to the programme as both regulators may agree from time to time;
“Short Selling”	means the sale of Short Selling Securities 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 Short Selling Securities in the purchaser by virtue of having borrowed such securities under a Securities Borrowing and Lending Arrangement;
“Short Selling order”	means a China Connect sell order to effect Short Selling;
“Short Selling Ratio”	means the number of shares/units sold via Short Selling orders for a Short Selling Security on a given CSC trading day divided by the number of shares/units of that Short Selling Security held by all investors through CCASS as at the commencement of that CSC trading day, expressed as a percentage rounded to 2 decimal places;
“Short Selling Securities”	means any China Connect Securities which are from time to time included in the List of Eligible SZSE Securities for Short Selling as eligible for Short Selling, as referred to in Rule 14B17(3);
“Special China Connect Securities”	has the meaning as defined in Chapter 1 and in the context of this Chapter, shall be construed in light of the securities listed on SZSE being accepted or designated as “Special China Connect Securities” under Rule 14B05;

“Special Segregated Account” or “SPSA”	has the same meaning as defined in the HKSCC Rules;
“special voting rights”	in relation to a DVR stock, means the voting power attached to a share of a particular class that is greater or superior to the voting power attached to an ordinary share;
“SPSA ID”	has the same meaning as defined in the HKSCC Rules;
“SPSA order”	means a China Connect 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;
“SZSE”	means Shenzhen Stock Exchange, a China Connect Market Operator as defined in Chapter 1;
“SZSE Circuit Breaker”	means any measures that may be imposed or activated by SZSE on the SZSE Market in accordance with the Circuit Breaker Provisions;
“SZSE ChiNext”	means the ChiNext market operated by SZSE;
“SZSE ETF Market”	means the exchange traded fund market operated by SZSE;
“SZSE-listed ETFs”	means the exchange traded funds which are accepted for listing and admitted to trading on the SZSE ETF Market from time to time;
“SZSE Main Board”	means the Main Board market operated by SZSE;
“SZSE Market”	means the securities markets operated by SZSE comprising the SZSE Main Board, SZSE ChiNext and SZSE ETF Market, collectively, a China Connect Market as defined in Chapter 1;
“SZSE Market System”	means the trading system of SZSE, a China Connect Market System as defined in Chapter 1;
“SZSE Rules”	means the SZSE Regulations on Shenzhen-Hong Kong Stock Connect and the business and trading rules and regulations of SZSE;
“under risk alert”	in relation to A shares listed on SZSE, means the relevant shares are placed under “risk

alert” by SZSE including shares of “ST companies”, “\*ST companies” and shares subject to the delisting process or the listing of which has been suspended by SZSE under the SZSE Rules; and

“unit” means one undivided share or undivided beneficial interest in an exchange traded fund or a similar investment arrangement.

- (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 SZSE-listed securities as China Connect Securities, otherwise, the provision in Chapter 14 shall prevail;
  - (b) except as provided in Rules 14B15(3), 14B16(3) and 14B17(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 14B.
- (4) Any description of or reference to Mainland China laws or regulations in this Chapter 14B is not intended to be, nor should it be regarded as, legal or other professional advice for China Connect Exchange Participants or their clients. China Connect Exchange Participants are solely responsible for determining whether they are subject to any compliance or other obligations under applicable Mainland China laws or regulations, as may be amended from time to time, as a result of their use of the China Connect Service and are advised to seek their own professional advice.

**Operational Hours of the China Connect Service in relation to SZSE**

- 14B03. (1) Pursuant to the Exchange’s powers under Rule 1415(1) (discretion to determine the operational hours), the operational hours of the China Connect Service in relation to SZSE are set out in Rules 14B03(4) to (6).
- (2) The trading days and trading hours of SZSE are set out below, which may be subject to change in accordance with the SZSE Rules. Except (i) between 9:20 and 9:25; and (ii) between 14:57 and 15:00, SZSE normally accepts order cancellation requests during its trading hours.

<b>SZSE trading days</b>	Monday to Friday except where it is a public holiday in Mainland China
<b>Trading hours on an SZSE trading day</b>	Opening Call Auction session in the morning : 09:15 – 09:25 Continuous Auction session in the morning: 09:30 – 11:30 Continuous Auction session in the afternoon: 13:00 – 14:57

	Closing Call Auction session in the afternoon: 14:57 – 15:00
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- (3) Without prejudice to Rule 14B03(2), the execution of trades in China Connect Securities is subject to the SZSE Rules including the Circuit Breaker Provisions. Imposition of a SZSE Circuit Breaker on any SZSE trading day will result in the suspension of the execution of trades through the SZSE Market System for such period or periods as set out in the Circuit Breaker Provisions. Further, the lifting of a SZSE Circuit Breaker during a Continuous Auction session of any SZSE trading day may result in trades being executed through call auction.
- (4) 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.

<b>CSC trading days</b>	Monday to Friday except where it is a public holiday in Mainland China or Hong Kong
<b>Operational hours</b>	Morning session: 09:10 – 11:30 Afternoon session: 12:55 – 15:00

- (a) If a CSC trading day falls on a day on which only half-day trading is available on the Exchange, the China Connect Service will remain available until the SZSE Market closes on that day unless otherwise advised by the Exchange.
- (b) Unless otherwise determined or announced by the Exchange, China Connect Exchange Participants may input China Connect orders for transmission to the CSC on a CSC trading day starting from:
- (i) 9:10 in respect of the SZSE Opening Call Auction session in the morning;
  - (ii) 9:25 in respect of the SZSE Continuous Auction session in the morning;
  - (iii) 12:55 in respect of the SZSE Continuous Auction session in the afternoon; and
  - (iv) 14:57 in respect of the SZSE Closing Call Auction session in the afternoon.

This means that the CSC will normally accept China Connect orders five minutes before commencement of each SZSE trading session except for the SZSE Closing Call Auction session. Processing of China Connect orders in the SZSE Market System normally starts at the beginning of each SZSE trading session, as referred to in Rule 14B03(2).

- (5) [Repealed]
- (6) If Shenzhen is or may be affected by severe weather conditions on a CSC trading day and an announcement on the adjustment of SZSE trading hours is made by SZSE, the Exchange will, as soon as practicable after SZSE issues an announcement, publish a corresponding announcement on the HKEX

website or through such other means as the Exchange considers appropriate, informing the market of the adjustment to the operational hours of the China Connect Service.

### **SZSE-listed Securities as China Connect Securities**

- 14B04. (1) Pursuant to the Exchange's powers under Rule 1407 (power to accept securities as China Connect Securities), securities which meet the criteria set out in Rule 14B04(2) or Rule 14B04(2A) shall, subject to Rules 14B04(3), (4) and (4A) be accepted as China Connect Securities and be eligible for China Connect buy orders and China Connect sell orders.
- (2) Unless the Exchange otherwise determines, SZSE-listed A shares set out below will be accepted as a China Connect Security:
- (a) a constituent stock of the SZSE Composite Index that fulfils all of the following eligibility criteria at any relevant review:
- (i) the constituent stock must have a daily average market capitalization in the last six months of RMB5 billion or above;
  - (ii) the constituent stock must have a daily average turnover in the last six months of RMB30 million or above;
  - (iii) the constituent stock must not have been suspended for trading on any SZSE Market on 50% or more of the total number of trading days of the SZSE Market in the last six months; and
  - (iv) if the constituent stock is a DVR stock, it must also fulfil all of the following additional criteria for its first time inclusion as a China Connect Security at any relevant review:
    - (A) the constituent stock must have been listed on SZSE for no less than six months and twenty SZSE trading days;
    - (B) the constituent stock must have a daily average market capitalization in the last 183 calendar days of RMB20 billion or above;
    - (C) the constituent stock must have an aggregated turnover in the last 183 calendar days of RMB6 billion or above; and
    - (D) neither the issuer of the DVR stock nor any beneficiary of special voting rights has been publicly censured by SZSE since the listing of the DVR stock due to any breach of any requirements under the SZSE Rules applicable to DVR stocks relating to, among others, corporate governance, information disclosure or investor protection safeguards;



and the Exchange will publish the review mechanism for constituent stocks based on the eligibility criteria set out above on the HKEX website or through such other means as it considers appropriate;

(b) [Repealed]

(c) A shares listed on SZSE that are not accepted as a China Connect Security by virtue of (a) above but which have corresponding H shares accepted for listing and trading on the Exchange,

provided that:

(i) they are not traded on SZSE in currencies other than RMB; and

(ii) they are not under risk alert.

(2A) Unless the Exchange otherwise determines, an SZSE-listed ETF that fulfils all of the following eligibility criteria at any regular review will be accepted as a China Connect Security:

(a) the SZSE-listed ETF must be traded in RMB and has a daily average assets under management in the last six months of no less than RMB500 million;

(b) the SZSE-listed ETF must have been listed on SZSE for no less than six months;

(c) the benchmark index must have been launched for no less than one year;

(d) the total weighting of constituents which are SSE-listed and SZSE-listed A shares in the benchmark index must not be less than 60% and the total weighting of constituents which are China Connect Securities in the benchmark index must not be less than 60%; and

(e) the benchmark index or the index methodology of the benchmark index must also meet either of the following criteria: (i) (for broad-based indices) a constituent stock must not be more than 30% of the index's weighting; or (ii) (for non-broad-based indices) (A) the number of constituent stocks must not be less than 30, (B) a constituent must not be more than 15% of the index's weighting and the five highest weighted constituents in the aggregate must not be more than 60% of the index's weighting, and (C) the constituent stocks comprising no less than 90% of the index's weighting must be the top 80% shares by average daily turnover ranking in the relevant stock exchange in the past 12 months.

The Exchange will publish such eligibility criteria on the HKEX website or through such other means as it considers appropriate.

(3) Unless the Exchange otherwise determines, the timing of acceptance of any securities as China Connect Securities shall follow Rule 14B04(4) and Rule 14B04(4A) (as applicable). Further, without prejudice to its powers under Rules 1407 and 1409, the Exchange will include and exclude securities as

China Connect Securities based on the criteria set out in Rule 14B04(2) or prescribed under Rule 14B04(2A) (as applicable), the adjustments made to the SZSE Composite Index, the timing at which relevant A shares, H shares and SZSE-listed ETFs are listed on or delisted from SZSE and/or the Exchange, and the timing at which relevant A shares are placed under risk alert or released from risk alert (as applicable).

- (4) (a) SZSE-listed A shares will be accepted as China Connect Securities after the criteria set out in Rule 14B04(2)(a) are met but if there are corresponding H shares listed or to be listed on the Exchange, the A shares will only be accepted after the price stabilization period of the corresponding H shares has ended or expired.
- (b) For SZSE-listed A shares referred to in Rule 14B04(2)(c):
- (i) where the corresponding H shares are listed on the Exchange after the A shares have been listed and traded on SZSE for at least 10 trading days, the A shares will be accepted as China Connect Securities after the price stabilization period of the corresponding H shares has ended or expired; and
- (ii) where the corresponding H shares are listed or will be listed on the Exchange on or before the tenth trading day of the initial listing of the A shares, the A shares will be accepted as China Connect Securities after they have been traded on the SZSE for 10 trading days and after the price stabilization period of the corresponding H shares has ended or expired, whichever is later.
- (4A) The Exchange will publish a list of SZSE-listed ETFs which meet the criteria set out in or prescribed under Rule 14B04(2A) as soon as practicable after completion of any regular review that may be undertaken on eligible SZSE-listed ETFs. Such eligible SZSE-listed ETFs will be accepted as China Connect Securities on the second Monday after publication of the list of eligible SZSE-listed ETFs by the Exchange, or, the next CSC trading day if it is not a CSC trading day.
- (5) The Exchange will publish a list of China Connect Securities in respect of SZSE in accordance with Rule 1409(1)(a) based on the criteria and principles set out in this Rule. For the avoidance of doubt, no SZSE-listed securities are eligible for China Connect buy orders or China Connect sell orders unless and until such securities have been included in the list of China Connect Securities published by the Exchange.

#### **SZSE-listed Securities as Special China Connect Securities**

- 14B05. (1) Pursuant to the Exchange's power under Rule 1408 (power to accept or designate securities as Special China Connect Securities), the securities referred to in Rules 14B05(2), (2A) and (3) shall be accepted and designated as Special China Connect Securities and be eligible only for China Connect sell orders and not for China Connect buy orders.
- (2) Unless the Exchange otherwise determines, the Exchange will accept or designate the following China Connect Securities as Special China Connect Securities provided that they remain listed on SZSE:

- (a) any China Connect Security which has been accepted under Rule 14B04(2)(a) and does not fall under Rule 14B04(2)(c) but it is subsequently determined at any relevant review that any of the following conditions has occurred:
    - (i) its daily average market capitalization in the last six months has fallen under RMB4 billion;
    - (ii) its daily average turnover in the last six months has fallen under RMB20 million; or
    - (iii) it has been suspended for trading on a SZSE Market on 50% or more of the total number of trading days of the SZSE Market in the last six months;
  - (b) any China Connect Security which has been accepted under Rule 14B04(2)(a) but which has subsequently ceased to be a constituent stock of the SZSE Composite Index, and does not fall under Rule 14B04(2)(c);
  - (c) any China Connect Security which has been accepted under Rule 14B04(2)(c) but the H shares of which have been delisted from the Exchange, and based on its market capitalization, turnover and the number of trading days with trading suspension at any subsequent relevant review, does not fall under Rule 14B04(2)(a);
  - (d) any China Connect Security which has been accepted under Rule 14B04(2)(c) but the H shares of which have been delisted from the Exchange, and is not a constituent stock of the SZSE Composite Index; or
  - (e) any China Connect Security which has been accepted under Rule 14B04(2)(a) or (c) but which has been placed under risk alert.
- (2A) Unless the Exchange otherwise determines, the Exchange will accept or designate an SZSE-listed ETF which has been accepted as a China Connect Security under Rule 14B04(2A) but which has subsequently met any of the following eligibility criteria of becoming a Special China Connect Security at any regular review that may be undertaken on eligible SZSE-listed ETFs, as a Special China Connect Security provided that it remains listed on SZSE:
- (a) the SZSE-listed ETF's daily average assets under management in the last six months falls under RMB400 million;
  - (b) the total weighting of constituents which are SSE-listed and SZSE-listed A shares in the benchmark index falls under 55% or the total weighting of constituents which are China Connect Securities in the benchmark index falls under 55%; or
  - (c) the benchmark index and the index methodology of the benchmark index meets either of the following criteria: (i) (for broad-based indices) a constituent stock exceeds 30% of the index's weighting; or (ii) (for non-broad-based indices) (A) the number of constituent stocks falls under 30; (B) a constituent exceeds 15% of the index's weighting or the five highest weighted constituents in the aggregate exceeds 60% of the

index's weighting; or (C) the constituent stocks which are the top 80% shares by average daily turnover ranking in the relevant stock exchange in the past 12 months falls under 90% of the index's weighting.

- (3) 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 arising from China Connect Securities, 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 (including ChiNext shares) which are not already accepted as China Connect Securities, provided that such securities are listed on SZSE and traded in RMB, the Exchange will accept or designate such securities as Special China Connect Securities.
- (4) The Exchange will publish a list of Special China Connect Securities in respect of SZSE in accordance with Rule 1409(1)(b) based on the principles set out in this Rule. The SZSE-listed ETFs on the list will be accepted and designated as Special China Connect Securities on the second Monday after publication of the list, or, the next CSC trading day if it is not a CSC trading day, provided that they remain listed on SZSE and meet the relevant conditions prescribed by the Exchange from time to time.

### **Trading Arrangements**

- 14B06. (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 14B06(2) to (18) shall apply to the use of the China Connect Service for the trading of China Connect Securities listed on SZSE.

### **Quotation requirements and restrictions**

- (2) China Connect orders shall comply with the quotation requirements and restrictions set out from time to time through publication on the HKEX website or such other means as the Exchange considers appropriate.

### **SPSA order**

- (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 has been assigned by CCASS to the Special Segregated Account in accordance with the HKSCC 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 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.

**Odd lots**

- (4) China Connect buy orders involving odd lots are not allowed. A sale of odd lots is allowed provided that the China Connect sell order relates to the sale of all, and not part, of the odd lots held in respect of a China Connect Security for a China Connect Exchange Participant or for a client (as the case may be).

**No Turnaround Trading**

- (5) 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.

**Pre-trade checking**

- (6) As SZSE will conduct pre-trade checking of all sell orders routed to the SZSE Market System to ensure that there will be sufficient securities to settle delivery obligations on the settlement day assuming that all submitted sell orders will be executed, pre-trade checking procedures with respect to all China Connect sell orders will be applied by the Exchange and the SEHK Subsidiary to ensure that the relevant accounts have sufficient securities available for settlement before they are routed to the SZSE Market System for execution.
- (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 securities 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 securities 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 securities holding position of the Special Segregated Account with the assigned SPSA ID 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 securities 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 HKSCC Rules, the total number of shares/units 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 securities 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 HKSCC Rules:
- (i) the total number of shares/units 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 securities 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/units 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 securities 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 securities 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 securities 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 securities 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 HKSCC 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 HKSCC Rules.

- (d) Any China Connect sell order input by a China Connect Exchange Participant which may, upon execution, exceed the relevant total securities 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 HKSCC 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 HKSCC Rules and subject to Rule 14B06(10)(c) and any sellable balance adjustments made for the purpose of pre-trade checking under the HKSCC Rules, reproduce and replicate the securities 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 securities 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 securities 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 securities settlement in accordance with the HKSCC Rules.

**Input and cancellation of China Connect orders while a SZSE Circuit Breaker is in effect**

- (13) (a) Unless otherwise determined by the Exchange, where the Circuit Breaker Provisions allow orders in respect of China Connect Securities to be received or transmitted to the SZSE Market System during the period when a SZSE Circuit Breaker is in effect, China Connect Exchange Participants may input China Connect orders through the China Connect Service during such period as usual. Notwithstanding this, China Connect Exchange Participants accept that imposition of a SZSE Circuit Breaker on any SZSE trading day will result in the suspension of trade execution through the SZSE Market System as referred to in Rule 14B03(3).
- (b) Unless otherwise determined by the Exchange, where the Circuit Breaker Provisions allow orders in respect of China Connect Securities to be cancelled during the period when a SZSE Circuit Breaker is in effect, China Connect Exchange Participants may input order cancellation requests through the China Connect Service during such period as usual. Notwithstanding this, as is provided in Rule 1422, no China Connect order is regarded as cancelled unless and until a cancellation confirmation has been issued by the SZSE Market System and neither the Exchange nor the SEHK Subsidiary shall have any liability in the event that a China Connect order which a China Connect Exchange Participant has required be cancelled is not cancelled for any reason whatsoever.

**Suspension of trading on A shares and H shares**

- (14) Where any H shares with corresponding A shares accepted as China Connect Securities are suspended from trading on the Exchange but the China Connect Securities are not suspended from trading on the SZSE, the China Connect Service will normally remain available for routing China Connect sell orders and China Connect buy orders for such China Connect Securities to the SZSE Market System for execution. The Exchange, however, reserves its discretion to restrict or suspend the China Connect Service for trading in such China Connect Securities and will publish an announcement on the HKEX website or through such other means as it considers appropriate accordingly. For the avoidance of doubt, the Exchange will restrict or suspend the China Connect Service for trading in such China Connect Securities if it is so directed or required by a relevant governmental or regulatory body.

**Review of Sales/Purchases**

- (15) A China Connect Exchange Participant shall review all sales and purchases of China Connect Securities at the end of each SZSE trading session on each CSC trading day and shall report any discrepancy, erroneous transaction or

complaint to the Exchange at such time and in such manner as the Exchange may prescribe from time to time.

### **Trading of ChiNext shares**

- (16) The Exchange may from time to time, as it may determine or as directed by the Commission, prescribe, change, supplement or remove any requirements, conditions, restrictions and arrangements in relation to the use of the China Connect Service for trading ChiNext shares through publication on the HKEX website or such other means as the Exchange considers appropriate. China Connect Exchange Participants shall comply with the requirements, conditions, restrictions and arrangements in all respects.
- (17) (a) Except as provided in Rule 14B06(17)(b), only institutional professional investors are allowed to buy or sell ChiNext shares which are accepted as China Connect Securities (other than Special China Connect Securities which are eligible for sell orders only) through the China Connect Service.
- (b) Where, as a result of any distribution of rights (including the right to subscribe for rights issues open offers) or entitlements, conversion, takeover, other corporate actions or special circumstances arising from China Connect Securities, China Connect Exchange Participants receive (whether as principal or agent for their client and whether or not such client is an institutional professional investor) through their or their China Connect CCASS Participant's account with HKSCC any ChiNext shares, China Connect Exchange Participants may sell such ChiNext shares which are accepted or designated by the Exchange as China Connect Securities under Rule 14B04(1) or Special China Connect Securities under Rule 14B05(3) through the China Connect Service.
- (18) Each China Connect Exchange Participant shall implement appropriate and effective measures and take reasonable steps to ensure compliance with Rules 14B06(16) and (17), including but not limited to (a) not accepting any instruction to buy ChiNext shares or inputting any China Connect buy order for ChiNext shares for any direct client of the China Connect Exchange Participant unless it is reasonably satisfied that the client is an institutional professional investor; and (b) where such client is (i) an intermediary (as defined in the Ordinance); or (ii) a person which carries on business outside Hong Kong in an activity in respect of which it is regulated overseas and which, if carried on in Hong Kong, would constitute a regulated activity under the Ordinance, requiring such client to ensure that only institutional professional investors are allowed to buy ChiNext shares which are accepted as China Connect Securities through the China Connect Service.

### **Quotas on SZSE-listed Securities as China Connect Securities**

- 14B07. (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 Daily Quota and quota monitoring and management provisions under Rules 14B07(2) to (10) shall apply.

## Daily Quota

- (2) The Daily Quota shall apply to the trading of China Connect Securities through the use of the China Connect Service.
- (3) 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

- (4) The Daily Quota shall apply to each CSC trading day. Regardless of the level of the Daily Quota Balance at the end of a CSC trading day, the Daily Quota Balance will not be carried forward for utilization on the following or subsequent CSC trading days.
- (5) In respect of each CSC trading day, if the Daily Quota Balance drops to zero or below (i.e. if the Daily Quota is fully utilized):
  - (a) during the SZSE Opening Call Auction session and before commencement of the SZSE Continuous Auction session in the morning at 9:30, China Connect buy orders input after the time at which the Daily Quota Balance drops to zero or below will not be accepted by the CSC, but China Connect buy orders input before such time will not be affected and will be transmitted by the CSC to the SZSE Market System for execution in the usual manner. Only if the Daily Quota Balance resumes to a positive level before commencement of the SZSE Continuous Auction session in the morning will new China Connect buy orders be accepted by CSC; and
  - (b) after commencement of the SZSE Continuous Auction session in the morning at 9:30 and before the end of the SZSE Closing Call Auction session at 15:00, no China Connect buy orders will be accepted for the rest of the CSC trading day unless the Exchange otherwise determines, but China Connect buy orders input before the time at which the Daily Quota Balance drops to zero or below will not be affected and will be transmitted by the CSC to the SZSE Market System for execution in the usual manner.
- (6) For the avoidance of doubt:
  - (a) references in the formula in Rule 14B07(3) to “China Connect buy 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

(b) only China Connect buy orders will be subject to quota controls under this Rule. Unless otherwise determined by the Exchange, China Connect sell orders will be accepted by the CSC during the operational hours of a CSC trading day and will not be affected by the level of the Daily Quota Balance.

(7) The following table summarizes the treatment of China Connect orders as described in Rules 14B07(3) to (6) depending on the Daily Quota Balance on a given CSC trading day:

	<b>Daily Quota Balance drops to zero or below before 09:30</b>	<b>Daily Quota Balance drops to zero or below at or after 09:30</b>
<b>China Connect sell order</b>	Accepted	Accepted
<b>China Connect buy order submitted after the time at which the Daily Quota Balance drops to zero or below</b>	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 14B07(5)(b))
<b>China Connect buy orders submitted before the time at which the Daily Quota Balance drops to zero or below</b>	Not affected	Not affected

### **Quota Management**

(8) 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 14B07(9) by a certain percentage prescribed by the Exchange from time to time.

(9) Unless otherwise determined by the Exchange:

(a) during the SZSE Opening Call Auction session and the five minutes before the commencement of the SZSE Opening Call Auction session on each CSC trading day, the reference price referred to in Rule 14B07(8) 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;

(b) during the SZSE Continuous Auction sessions (morning and afternoon) and the five minutes before the commencement of each SZSE Continuous Auction session on each CSC trading day, the reference

- price referred to in Rule 14B07(8) 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;
- (c) during the SZSE Closing Call Auction session, the reference price referred to in Rule 14B07(8) shall be (i) the current bid price of the relevant China Connect Security; (ii) where no current 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; and
  - (d) where a SZSE Circuit Breaker has been imposed, the reference price referred to in Rule 14B07(8) shall be (i) the current bid price of the relevant China Connect Security; (ii) where no current 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.
- (10) If there is any change in the operational procedures relating to the quota limits and related arrangements as set out in this Rule 14B07, 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**

- 14B08. (1) Under Rule 1430, the Exchange has absolute discretion to impose conditions or restrictions for the use of the China Connect Service for the purpose of ensuring that the trading of China Connect Securities will not contravene applicable laws or for any reasons which the Exchange considers appropriate. In light of the shareholding restrictions and forced sale requirements imposed by the CSRC, SZSE and applicable laws of Mainland China, the conditions and requirements set out in Rules 14B08(2) to (12) shall apply.

#### **Shareholding limits on foreign investors**

- (2) China Connect Exchange Participants shall comply, and shall make appropriate arrangements to ensure that their clients will comply, with the 10% individual shareholding limit in relation to A shares applicable to foreign investors (including Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors approved under the applicable laws of Mainland China, and other investors using the China Connect Service) as stipulated in applicable laws of Mainland China including the CSRC regulations concerning Shenzhen-Hong Kong Stock Connect. China Connect Exchange Participants shall put appropriate monitoring arrangements in place to comply with this Rule and to alert their clients to comply with the individual shareholding limit.
- (3) China Connect Exchange Participants shall note and understand the 30% aggregate shareholding limit in relation to A shares and the related forced-sale requirements applicable to foreign investors who invest in China Connect Securities as stipulated in applicable laws of Mainland China including the CSRC regulations concerning Shenzhen-Hong Kong Stock

Connect. China Connect Exchange Participants shall alert their clients to the 30% aggregate shareholding limit and the forced-sale arrangements under this Rule.

### **Shareholding Monitoring Procedures**

- (4) Where foreign investors (including investors holding China Connect Securities through CCASS) hold 28% or more of the issued shares of a relevant issuer in aggregate, SZSE will notify the SEHK Subsidiary, and the Exchange and SEHK Subsidiary will as soon as practicable thereafter suspend accepting China Connect buy orders in respect of the relevant China Connect Securities until the aggregate shareholding of foreign investors is reduced to below 26%, as advised by SZSE.

### **Forced-sale Procedures**

- (5) Notwithstanding Rule 14B08(4), where the aggregate shareholding of foreign investors (including investors holding through CCASS) in respect of a relevant issuer exceeds 30% of the issued shares of the issuer on an SZSE trading day, SZSE may, pursuant to the SZSE Rules, issue a forced-sale notice to the SEHK Subsidiary on the following trading day, requiring it to arrange for a sell down of the portion of the China Connect Securities that exceeds 30% within 5 SZSE trading days on a “last-in, first-out” basis (as determined in accordance with Rule 14B08(11)).
- (6) Upon receipt of a forced-sale notice under Rule 14B08(5), the SEHK Subsidiary will notify the relevant China Connect Exchange Participant(s) through the Exchange, requiring or directing them to, or arrange for their clients to, sell and liquidate the specified number of China Connect Securities within a period specified by the Exchange.
- (7) Upon receipt of the notice under Rule 14B08(6), the China Connect Exchange Participant shall comply with the notice, and where applicable, it shall issue a corresponding notice to the relevant client(s) or their custodian(s) requesting for the sale and liquidation of the number of China Connect Securities specified by the China Connect Exchange Participant within the period specified by the Exchange. If a client fails to comply with the China Connect Exchange Participant’s notice, the China Connect Exchange Participant shall, if necessary, exercise its power to sell the specified number of China Connect Securities through the use of the China Connect Service on the client’s behalf before expiry of the period specified by the Exchange.
- (8) China Connect Exchange Participants shall implement appropriate measures to enable them to comply with Rule 14B08(7) on a timely basis including entering into legally enforceable client agreements to facilitate compliance with the forced-sale arrangements referred to in that Rule.
- (9) Where a forced-sale notice is issued by SZSE under Rule 14B08(5), no China Connect buy orders for the relevant China Connect Securities will be accepted by the CSC until SZSE informs the SEHK Subsidiary or the Exchange that the aggregate foreign shareholding falls below 30%. China Connect sell orders for the relevant China Connect Securities will not be affected by a forced-sale notice.

- (10) If, within the 5-day period mentioned in Rule 14B08(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 14B08(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.
- (11) The relevant China Connect Exchange Participants referred to in Rule 14B08(6) will be identified by the Exchange based on its or the SEHK Subsidiary's own records (which shall be final and conclusive) generally by reference to the time of purchase of the relevant China Connect Securities, on a "last in, first out" basis. Notwithstanding the foregoing, the Exchange has absolute discretion to determine which China Connect Exchange Participants and what quantity of China Connect Securities should be subject to a forced sale notice.
- (12) Where the 30% aggregate foreign shareholding limit is exceeded due to a share repurchase conducted by the relevant issuer, investors and China Connect Exchange Participants holding China Connect Securities through CCASS may continue to hold the relevant shares without being subject to a forced-sale. However, the SEHK Subsidiary and the Exchange will suspend acceptance of China Connect buy orders for those China Connect Securities until the aggregate foreign shareholding limit is reduced to below 26%.

#### **Disclosure Obligations regarding China Connect Securities**

- 14B09. China Connect Exchange Participants shall comply, and shall make appropriate arrangements to ensure that their clients will comply, with the 5% shareholding disclosure requirement applicable to persons who invest in A shares under applicable laws of Mainland China. China Connect Exchange Participants shall put appropriate monitoring arrangements in place to comply with this Rule and to alert their clients to comply with the relevant disclosure requirements.

#### **Compliance with applicable laws in Mainland China**

- 14B10. As required by SZSE, China Connect Exchange Participants shall:
- (1) comply, and advise their clients to comply, with SZSE Rules (to the extent applicable to the trading of China Connect Securities in the SZSE Market, and not inconsistent with these Rules and any regulations, requirements or conditions prescribed or published pursuant to these Rules) and laws and regulations of Mainland China relating to the use of the China Connect Service and the trading of China Connect Securities;
  - (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 SZSE Rules and the laws and regulations referred to in this Rule 14B10;

- (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, the power to require China Connect Exchange Participants not to accept instructions from them and the power to suspend or restrict China Connect Exchange Participants from inputting China Connect orders under any BCAN, 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 SZSE Rules and the laws and regulations referred to in Rule 14B10(1);
- (4) acknowledge, and make appropriate arrangements to require their clients to acknowledge, that if the SZSE Rules are breached, or if the disclosure and other obligations referred to in the listing rules of the SZSE (including the rules of the SZSE for stock listing on ChiNext and the rules of the SZSE for ETFs listing on SZSE ETF Market) or the SZSE Rules are breached, SZSE 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 Rules 537 and 1437) to assist in its investigation;
- (5) acknowledge that where there is a serious breach of the SZSE Rules, SZSE 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 SZSE in its regulatory surveillance of the SZSE Market and enforcement of the SZSE Rules and as part of the regulatory cooperation arrangement between the Exchange, the SEHK Subsidiary and SZSE), at the request of SZSE, require China Connect Exchange Participants to provide information concerning their clients and other persons referred to in Rules 537 and 1437 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 Rules 537 and 1437 to SZSE 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**



- 14B11. (1) Pursuant to Rule 1429, the fees, charges, levies and taxes set out in Rules 14B11(2) and (3) shall be payable in respect of the trading of China Connect Securities.
- (2) With respect to any fees, charges, levies and taxes which may be payable to SZSE, the relevant China Connect Clearing House or the relevant governmental or regulatory bodies in Mainland China in respect of every purchase or sale of China Connect Securities executed through the China Connect Service, China Connect Exchange Participants shall pay to the Exchange such fees (including any handling fee, securities management fee and transfer fee), charges, levies and taxes, which will be published on the HKEX website or notified to China Connect Exchange Participants through such other means as the Exchange considers appropriate, for onward payment to SZSE, the relevant China Connect Clearing House or the relevant governmental or regulatory bodies in Mainland China, as the case may be.
- (3) Where SZSE, 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 SZSE, 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 SZSE, 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**

- 14B12. (1) Except permitted under Rule 14B12(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 SZSE 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) Securities Borrowing and Lending as permitted under Rule 14B16(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 HKSCC Rules.
- (3) China Connect Exchange Participant who carry out non-trade transfers of China Connect Securities referred to in Rule 14B12(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 14B12(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 14B12(2)(b) to circumvent the prohibition under Rule 14B12(1).

### **Record Keeping**

- 14B13. To comply with applicable laws in Mainland China and the requirements of SZSE, 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 (including the related BCAN and CID) 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 Securities 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 SZSE**

- 14B14. Exchange Participants shall acknowledge, and make appropriate arrangements for their clients to acknowledge, that SZSE 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 SZSE making, amending or enforcing the SZSE 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**

- 14B15. (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 14B15(2) to (10).

#### **List of Eligible SZSE 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 SZSE 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 SZSE 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 14B15(6).

- (3) The Exchange will publish the List of Eligible SZSE 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 SZSE Securities for Margin Trading will be compiled by reference to SZSE's list of eligible securities for margin trading for the SZSE Market, excluding Special China Connect Securities.

### **Suspension and Resumption of SZSE 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 SZSE, and SZSE decides to suspend or has suspended margin trading activities in respect of that China Connect Security in the SZSE Market, the Exchange may, as soon as practicable after being notified by SZSE, 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 SZSE has allowed margin trading activities on the relevant China Connect Securities to resume in the SZSE Market; after SZSE 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 14B15(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 SZSE 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 14B15(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 14B15(6).

### **Abnormal margin trading activities**

- (6) Where the situation referred to in Rule 14B15(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 14B15(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 SZSE 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 SZSE 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 14B15 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 14B15 is made pursuant to Rule 1430.

#### **Securities Borrowing and Lending of China Connect Securities**

- 14B16. (1) Unless the Exchange otherwise determines, China Connect Exchange Participants shall not enter into or carry out any Securities Borrowing and Lending Arrangement in respect of China Connect Securities and Special China Connect Securities except in accordance with this Rule 14B16.

#### **Purpose of Securities Borrowing and Lending of China Connect Securities**

- (2) Securities 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 14B17 provided that the securities loan period (inclusive of the date of securities loan and securities 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 stock account in time to meet the pre-trade checking requirement set out in Rule 14B06 provided that the securities loan period does not exceed one day and is non-renewable; and
  - (c) for such other purposes as the Exchange or SZSE may specify from time to time.
- (3) For the purpose of Rule 14B16(2)(a), Securities Borrowing and Lending shall be limited to China Connect Securities excluding Special China Connect Securities; and for the purpose of Rule 14B16(2)(b), Securities Borrowing and Lending may cover any China Connect Securities including Special China Connect Securities. References to “China Connect Securities” in this Rule 14B16 shall be construed accordingly.

#### **Permitted Securities Lenders and Securities Borrowers**

- (4) Subject to Rules 14B16(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 Securities 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 Securities Borrowing and Lending Arrangement, it shall apply to the Exchange to be a Securities 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 securities 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 securities 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 securities 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 SZSE.
- (11) Before a China Connect Exchange Participant borrows any China Connect Securities from another Exchange Participant or a Qualified Institution (as Securities Lender) under a Securities Borrowing and Lending Arrangement, the China Connect Exchange Participant shall provide the Exchange with a confirmation in the prescribed form confirming that the Securities Lender has provided it with an undertaking in respect of the following:
- (a) that no restriction exists that prevents or restricts the Securities Lender from engaging in securities lending activities at the time the China Connect Securities are lent to the China Connect Exchange Participant;
  - (b) that the Securities 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 securities lending activities;
  - (c) where the Securities 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 Securities 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 SZSE, failing which the Securities Lender agrees that the Securities Borrowing and Lending Arrangement may be terminated by the China Connect Exchange Participant if so directs by the Exchange.

## **Reporting of Securities Borrowing and Lending activities**

- (12) A China Connect Exchange Participant referred to in Rules 14B16(10) and (11) shall file a monthly report with the Exchange providing details on its Securities 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 Securities Borrowing and Lending of China Connect Securities.
- (14) China Connect Exchange Participants acknowledge that the undertakings and confirmations referred to in Rules 14B16(10) and (11) and the monthly reports referred to in Rule 14B16(12) will be disclosed or made available to SZSE for information.
- (15) A Non-registered Exchange Participant who wishes to conduct securities lending activities concerning China Connect Securities shall comply with the following requirements:
- (a) lend China Connect Securities only for the purposes allowed under Rule 14B16(2);
  - (b) comply with the requirements under Rules 14B16(7) to (9);
  - (c) provide the undertaking referred to in Rule 14B16(11) to the relevant China Connect Exchange Participant as Securities 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 14B16(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 SZSE.
- (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 14B16, the Exchange may take any of the following actions:
- (a) require it to terminate or unwind any Securities 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 securities 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

Securities Borrowing and Lending of China Connect Securities under this Rule.

(18) For the avoidance of doubt, references in this Rule 14B16 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 Securities 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 14B16 is made pursuant to Rule 1430.

### **Short Selling**

14B17. (1) Unless otherwise determined by the Exchange, China Connect Exchange Participants shall not conduct Short Selling of China Connect Securities for their own account or for the account of its clients other than in accordance with this Rule 14B17.

(2) A China Connect Exchange Participant shall not input any Short Selling order unless at the time it inputs the order,

(a) it has or, where it is selling for the account of its client, its client has; or

(b) it believes and has reasonable grounds to believe that the seller has,

a presently exercisable and unconditional right to vest the relevant China Connect Securities in the purchaser by virtue of having borrowed such securities under a Securities Borrowing and Lending Arrangement. For the avoidance of doubt, the pre-trade checking requirements set out in Rule 14B06 apply to Short Selling orders.

### **List of Eligible SZSE Securities for Short Selling**

(3) Only those China Connect Securities that are included in the List of Eligible SZSE Securities for Short Selling published by the Exchange from time to time may be the subject of a Short Selling order through the China Connect Service. China Connect Exchange Participants shall ensure that Short Selling is confined to those China Connect Securities that are included in the List of Eligible SZSE Securities for Short Selling. A China Connect Exchange Participant who fails to comply with this Rule shall be liable to disciplinary or other actions taken by the Exchange under Rule 1437 or 14B17(23).

(4) The Exchange will publish the List of Eligible SZSE Securities for Short Selling 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 SZSE Securities for Short Selling will be compiled by reference to SZSE’s list of eligible securities for short selling for the SZSE Market, excluding Special China Connect Securities.

### **Short Selling Order**



- (5) A Short Selling order shall only be input during the SZSE Opening Call Auction session, a SZSE Continuous Auction session or the SZSE Closing Call Auction session.
- (6) Before a China Connect Exchange Participant inputs a China Connect sell order for the account of a client, it shall ask its client to confirm whether it is a Short Selling order or have appropriate arrangements in place that require the client, when placing a Short Selling order, to inform the China Connect Exchange Participant that the order is a Short Selling order. A China Connect Exchange Participant shall establish effective procedures and keep proper records to ensure compliance with this Rule.
- (7) A China Connect Exchange Participant who knows or is informed that an order to be input into the CSC is a Short Selling order shall:
  - (a) when passing the order to another China Connect Exchange Participant or any other person having access to the CSC (including but not limited to an employee of the China Connect Exchange Participant) with a view that it or he shall input the order into the CSC, inform it or him that the order is a Short Selling order; and
  - (b) when inputting the order into the CSC, indicate such matters and in such manner as the Exchange shall from time to time determine.
- (8) Short Selling orders shall be input into the CSC only in multiples of 100 shares/units.

#### **Price restriction**

- (9) A Short Selling order for a Short Selling Security shall not be input into the CSC at a price lower than the most recent execution price for that Short Selling Security or, if there have been no executed trades for that Short Selling Security on the relevant CSC trading day, the previous closing price for that Short Selling Security.
- (10) As required by SZSE, where shares/units in any Short Selling Security borrowed for the purpose of Short Selling remain outstanding and have not yet been returned, China Connect Exchange Participants shall, and shall require their relevant clients to, comply with the price requirement in Rule 14B17(9) in respect of any instructions for the sale of that Short Selling Security through the China Connect Service, except for those instructions that exceed the number of the outstanding and unreturned shares/units.
- (11) The Exchange and the SEHK Subsidiary may set price restrictions, at such thresholds as the Exchange and the SEHK Subsidiary may consider appropriate, in the CSC or related system connections to block the input of Short Selling orders at an artificially high price which has the effect of artificially using up the limits of the Short Selling Ratio specified in Rule 14B17(14).

#### **Securities Borrowing for Short Selling**

- (12) Securities Borrowing and Lending for the purpose of Short Selling shall be subject to Rule 14B16(2)(a) and other restrictions as may be prescribed by the Exchange.

(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):
  - (i) ensure that its client has borrowed sufficient Short Selling Securities to settle the Short Selling order if executed;
  - (ii) to the extent that it has borrowed Short Selling Securities from another Exchange Participant or a Qualified Institution to on-lend to the client for purposes of Short Selling, have complied with the requirement in Rule 14B16(11) to provide the Exchange with a specified confirmation;
  - (iii) to the extent that its client has borrowed Short Selling Securities from a Securities Lender other than the China Connect Exchange Participant, have required the client to inform it (if and after the Short Selling order is executed on the SZSE Market) of the client's return of the Short Selling Securities which are the subject of the Short Selling order to the Securities Lender (including the relevant date or dates of return and the number of shares/units being returned); and
  - (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 securities settlement; and
- (b) where acting for its own account, have complied with the requirement in Rule 14B16(11) to provide the Exchange with a specified confirmation and have borrowed sufficient Short Selling Securities to settle the Short Selling order if executed.

#### **Short Selling Ratio Limits**

(14) The Short Selling Ratio for any Short Selling Security shall not exceed 1% on any CSC trading day, and the cumulative Short Selling Ratios for a Short Selling Security in any period of 10 consecutive CSC trading days shall not exceed 5%. Any Short Selling order that, if executed, will cause the 1% daily limit or the 5% cumulative limit for a Short Selling Security to be exceeded during the course of a CSC trading day will be rejected by the CSC.

(15) The Exchange will publish on the HKEX website or through such other means as the Exchange considers appropriate the following information (for A shares only):

- (a) during a CSC trading day, the quantity of each Short Selling Security that may be the subject of Short Selling orders for the CSC trading day in the

event that its Short Selling availability falls below a specified quantity as announced by the Exchange from time to time;

- (b) after market close, the Short Selling turnover (including the number of shares and the value) and the Short Selling Ratio of each Short Selling Security for that CSC trading day, and the cumulative Short Selling Ratios of each Short Selling Security over the previous 10 consecutive CSC trading days.

- (16) The Exchange may, upon the request of SZSE or otherwise, adjust the limits of the Short Selling Ratio referred to in Rule 14B17(14) or suspend the acceptance or routing of Short Selling orders.

### **Reporting Requirements**

- (17) China Connect Exchange Participants shall submit reports to the Exchange on the open short position of any Short Selling Security and other information required by the Exchange, at such intervals as the Exchange may from time to time require. For the purposes of this Rule 14B17, “open short position” means the total number of shares/units of a Short Selling Security that have been short sold by the China Connect Exchange Participant (whether as principal or agent) through the China Connect Service less the total number of shares/units borrowed for the purpose of Short Selling that have already been returned to the relevant Securities Lender.
- (18) In addition to the reports referred to in Rule 14B17(17), a China Connect Exchange Participant shall submit a report to the Exchange if the open short position of any Short Selling Security it has executed for its own account or for the account of any of its clients exceeds the reporting thresholds prescribed by the Exchange from time to time.
- (19) The reports referred to in each of Rules 14B17(17) and 14B17(18) shall be in a prescribed form and contain such particulars as the Exchange may require. The Exchange may publish on the HKEX website, or via other channels as it deems appropriate, any information submitted by China Connect Exchange Participants on an aggregate and no-names basis.
- (20) China Connect Exchange Participants must comply with such other reporting requirements as the Exchange may prescribe from time to time.

### **Suspension and Resumption of Short Selling Activities**

- (21) Notwithstanding any other provision in this Rule 14B17, where SZSE decides to suspend or has suspended short selling activities in respect of a Short Selling Security in the SZSE Market, the Exchange may, as soon as practicable after being notified by SZSE, require any or all China Connect Exchange Participants to stop inputting Short Selling orders, through the publication of a notice on the HKEX website or such other means as the Exchange considers appropriate. Short Selling of the relevant Short Selling Securities by China Connect Exchange Participants shall not resume and China Connect Exchange Participants shall not submit Short Selling orders until the Exchange are notified by SZSE that short selling of the relevant Short Selling Securities will resume in the SZSE Market, and after the Exchange has published a notice on the HKEX website to that effect. China Connect Exchange Participants shall

comply with the restrictions set out in this Rule and all relevant notices issued pursuant to this Rule.

- (22) The Exchange may, upon the request of SZSE, the Commission or otherwise, direct a China Connect Exchange Participant to apply restrictions on the number of shares/units of any Short Selling Security that can be short sold by the China Connect Exchange Participants or particular clients and to report information about its or such clients' Short Selling activity as the Exchange, the SZSE or the Commission may direct.

#### **Abnormal Short Selling Activities**

- (23) Where the situation referred to in Rule 14B17(22) occurs, where there is reasonable cause to suspect or believe that abnormal short selling activities have taken place, or where the Exchange otherwise considers appropriate, the Exchange and/or the SEHK Subsidiary may, without prejudice to other powers that it/they may have under these Rules, take any of the following actions:
- (a) reject or suspend the routing of Short Selling orders at any time;
  - (b) require a China Connect Exchange Participant to stop accepting instructions from or act for or stop inputting China Connect orders originating from any of its clients;
  - (c) suspend or restrict a China Connect Exchange Participant's access to the China Connect Service; and
  - (d) restrict Short Selling to certain specified Short Selling Securities within the List of Eligible SZSE Securities for Short Selling.

#### **Exchange's Powers**

- (24) Notwithstanding anything contained herein, the Exchange reserves the right in its absolute discretion to:
- (a) suspend, without giving prior notice, the Short Selling of any Short Selling Securities;
  - (b) impose limits on the number of shares/units of a particular Short Selling Security which may be the subject of Short Selling orders;
  - (c) impose open short position limits on the number of shares/units of a particular Short Selling Security which a China Connect Exchange Participant may hold on its own account or for the account of its clients;
  - (d) require a China Connect Exchange Participant to cease Short Selling whether temporarily or permanently and either generally or in relation to a particular Short Selling Security;
  - (e) require a China Connect Exchange Participant to liquidate any or all open short positions held on its own account or for the account of its clients either generally or in relation to a particular Short Selling Security and stipulate, for this purpose, the manner in which a China Connect Exchange Participant is to liquidate open short positions;

- (f) require a China Connect Exchange Participant to disclose to the Exchange at any time the number of shares/units of a Short Selling Security in which the China Connect Exchange Participant holds an open short position either on its own account or for the account of its clients; and
  - (g) prescribe from time to time such other restrictions, requirements and conditions subject to which Short Selling and the related Securities Borrowing and Lending shall be conducted.
- (25) The Chief Executive may restrict or prohibit a China Connect Exchange Participant from engaging in Short Selling provided that he has first obtained the approval of the Chairman of the Board, which may be given either orally or in writing. Notice of such restriction or prohibition to the China Connect Exchange Participant, whether oral or written, shall take effect immediately upon communication to or service on such China Connect Exchange Participant from the time specified in the notice and shall remain effective and in force until revoked, removed or modified by the Chief Executive after the approval, either oral or written, of the Chairman of the Board is obtained.
- (26) The Exchange may from time to time exempt any Short Selling orders, related Securities Borrowing and Lending Arrangement, China Connect Securities Trades and China Connect Exchange Participants from all or any of the restrictions, requirements or conditions to which Short Selling shall be subject.

#### **Others**

- (27) 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. In particular, China Connect Exchange Participants shall ensure that their clients acknowledge the price requirements referred to in Rules 14B17(9) – (11).
- (28) For the avoidance of doubt, references to “Short Selling Securities” in this Rule 14B17 do not include Special China Connect Securities.
- (29) Unless otherwise determined by the Exchange, the Eleventh Schedule of these Rules does not apply to the Short Selling of China Connect Securities or Short Selling Securities.
- (30) For the avoidance of doubt, references in this Rule 14B17 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. This Rule shall apply to them as if they were China Connect Exchange Participants.
- (31) This Rule 14B17 is made pursuant to Rule 1430.