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STOCK CONNECT
ANOTHER MILESTONE
BRIEFING TO PARTICIPANTS

HKEX 通
香港交易所

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AGENDA

1 Overview

2 Trading

3 Trading System

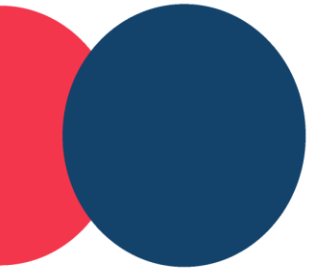
4 Clearing and Settlement

5 Risk Management

6 How to Participate

7 Tentative Schedule





Overview

Shenzhen Northbound Connect

- ✓ **~880 stocks for SZ Northbound covering:**
 - Constituents of SZSE Component & SZSE Small/Mid Cap Innovation indexes with a market capitalization of at least RMB 6 bn, and SZSE-SEHK A+H shares
 - Main board: ~270, SME board: ~410, ChiNext board: ~200
- ✓ **ChiNext open to institutional professional investors initially**
- ✓ **Daily Quota: RMB 13 bn**

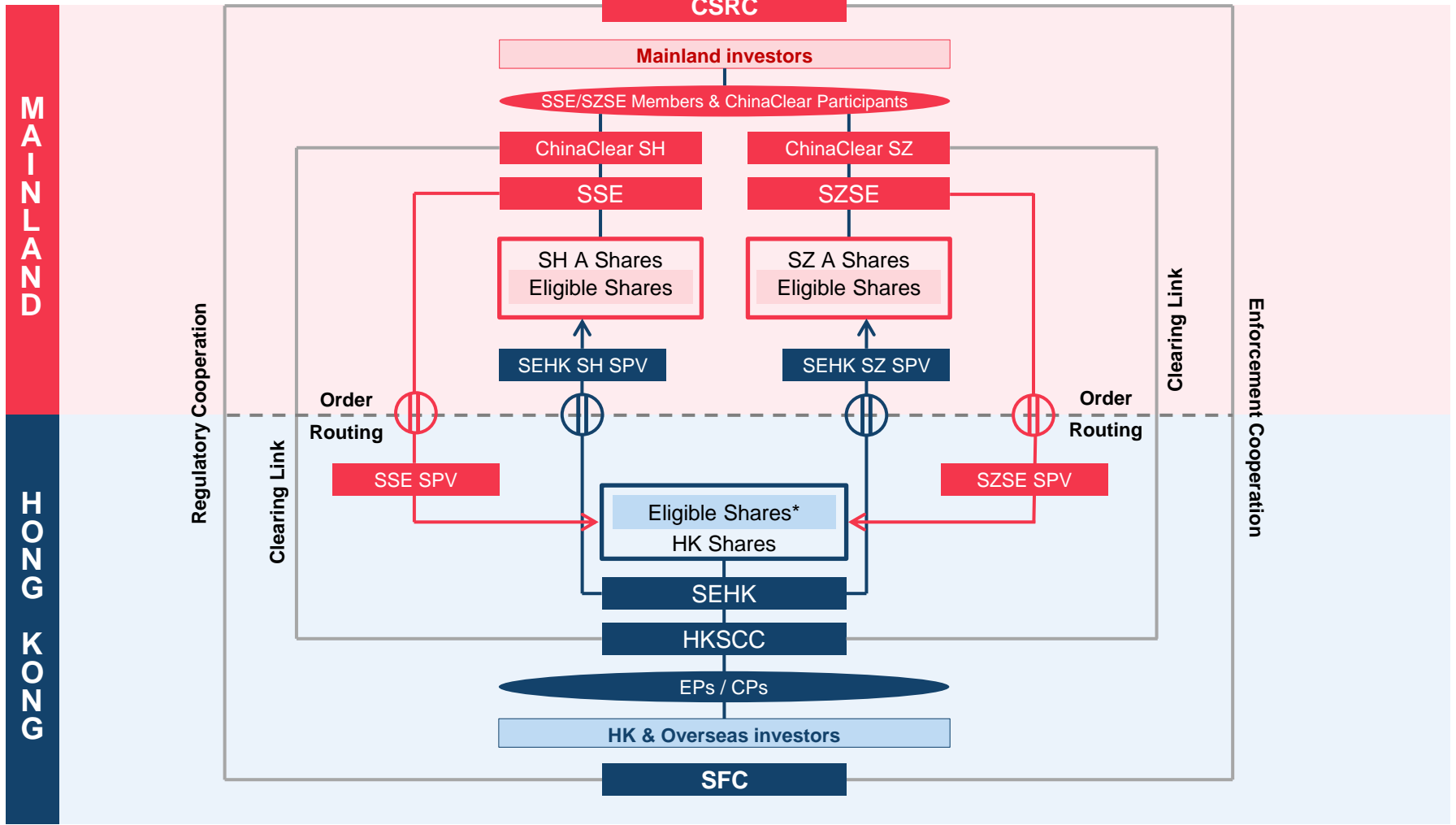
Shenzhen Southbound Connect

- ✓ **~417 stocks (vs. 318 stocks for SH Southbound) for SZ Southbound, adding:**
 - Constituents of Hang Seng SmallCap Index with a market capitalization of at least HK\$ 5 bn (see Appendix 11 for details) and SZSE-SEHK A+H shares to the existing eligible stocks
- ✓ **Daily Quota: RMB 10.5 bn**

Shanghai + Shenzhen

- ✓ **Aggregate Quota abolished**
- ✓ **ETFs to be included**
- ✓ **SH Connect otherwise remains unchanged**

Connect with Shanghai and Shenzhen



Enlarged and enhanced Connect ecosystem

* Eligible shares for the Shanghai & Shenzhen Southbound links are different



Key Features of Shenzhen Connect

Trading & Clearing Links remain the same after Shenzhen

Trading Link

- Investors to trade through local brokers, and orders are routed through the subsidiaries set up by local exchanges to the opposite markets
- A new SEHK order-routing subsidiary “Gangyu Information Services (Shenzhen) Limited” has been established in Qianhai to foster greater Guangdong-Hong Kong cooperation

Clearing Link

- HKSCC is a participant of ChinaClear, and clears and settles cross-border trades with ChinaClear for HK & international investors
- Risk management measures of ChinaClear SZ branch applicable to HKSCC will be imposed on HKSCC’s participants

The following proposed principal agreements to be entered into between relevant parties:

- **Four-Party Agreement between SZSE, SEHK, ChinaClear and HKSCC (關於深港股票市場交易互聯互通機制之四方協議);**
- **Trading Links Agreement between SZSE, SEHK, the SEHK order-routing Subsidiary and the SZSE order-routing Subsidiary (關於深港股票市場交易互聯互通機制之深港交易通協議); and**
- **Amended and Restated CSD and Clearing Links Agreement between HKSCC and ChinaClear (經修訂及重述之關於滬深港股票市場交易互聯互通機制之中央證券存管和結算通協議).**



Key Features of Shenzhen Connect

Model features and the trading and clearing arrangement are largely the same as Shanghai Connect

General Principles

- “Home Market” Rules and Laws Apply to the Extent Possible
- Daily Quotas Applied for Smooth and Stable Launch
- Order Routing in Gross for Maximum Price Discovery
- Closed Loop Cross-Boundary Fund Flow to Achieve Stringent Risk Management
- All RMB Conversion in HK, Facilitating Offset of Currency Conversion
- Clearing and Settlement in Net for Minimum Cross-boundary Fund Flow
- Typhoon and holiday arrangement remains unchanged
- Scalable in Size, Scope and Market in the Future

Key Features of Shenzhen Connect

Model features and the trading and clearing arrangement are largely the same as Shanghai-Hong Kong Stock Connect

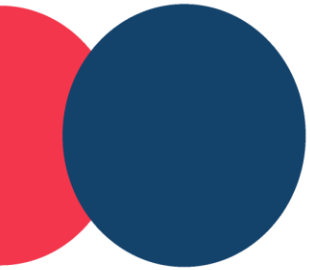
Shenzhen A-share Market Specific

- Trading hours with closing auction session
- Listing date of bonus shares – on the following day of the record date
- Mainland Security Deposit Rate (“MSCD”) – 18.5%

Connects Specific

- Same CCOG for northbound trading of SSE and SZSE
- Existing SPSAs can be used to maintain A shares of both Shanghai Connect and Shenzhen Connect
- Same settlement timeline and netting money settlement for SSE and SZSE Securities
- Release of on-hold Connect Securities determined by system upon receipt of good funds
- Two market approach on risk management measures
 - An aggregate amount of RMB 5 mn tolerance limit covers both the shortfalls in Shanghai and Shenzhen Northbound trades for intra-day Mainland Settlement Deposit (“MSTD”)
 - One minimum RMB 200,000 MSCD if participating in both Connect markets





Trading

SZ Northbound Trading Hours

- Unlike SSE, SZSE has a Closing Call Auction
- Same as SH Northbound, EPs can start inputting SZ Northbound orders into CSC **5 minutes** prior to the start of SZSE trading session in the morning and in the afternoon

Trading Sessions	SZSE	SSE	Input orders into CSC
Opening Call Auction [開盤集合競價]	09:15 – 09:25		09:10 – 11:30
Continuous Auction (Morning) [連續競價]	09:30 – 11:30		
Continuous Auction (Afternoon) [連續競價]	13:00 – 14:57	13:00 – 15:00	12:55 – 15:00
Closing Call Auction [收盤集合競價]	14:57 – 15:00	---	

#Notes:

(1) 09:20 – 09:25 and 14:57 – 15:00: SZSE will not accept order cancellation;

09:20 – 09:25: SSE will not accept order cancellation

(2) (a) 09:10 – 09:15; (b) 09:25 – 09:30; (c) 12:55 – 13:00: Orders and order cancellations can be input into CSC but will not be processed by SZSE and SSE until their market open

(3) Orders that are not executed during the opening call auction session will automatically enter the continuous auction session



Shenzhen Eligible Securities

	SZ Northbound	SZ Southbound
Current SH Southbound	N/A	1. Constituents of <ul style="list-style-type: none"> ▪ HS Comp LargeCap Index (恒生綜合大型股指數成分股) ▪ HS Comp MidCap Index (恒生綜合中型股指數成分股) 2. H shares of SSE-SEHK A+H
Additions	1. Constituents of <ul style="list-style-type: none"> ▪ SZSE Component Index (深證成份指數成分股) ▪ SZSE Small/Mid Cap Innovation Index (深證中小創新指數成分股) ▪ With market capitalisation at least RMB6B 2. A shares of SZSE-SEHK A+H	1. Constituents of HS Comp SmallCap Index (恒生綜合小型股指數成分股) with market capitalisation at least HK\$5B 2. H shares of SZSE-SEHK A+H
Excluding	1. Risk alert shares 2. Shares not traded in RMB	1. H shares where their respective A shares are risk alert shares 2. Shares not traded in HK\$
Other Types	To include Exchange-traded funds (ETFs) as eligible securities under the mutual market access scheme. A launch date will be announced separately after Shenzhen-Hong Kong Stock Connect has been in operation for a period of time and upon the satisfaction of relevant conditions	



Quota

	Northbound Trading of SZSE Securities	Southbound Trading of SEHK Securities (separately through SSE or SZSE)
Aggregate Quota	N/A	N/A
Daily Quota	RMB 13 bn	RMB 10.5 bn

Key Principles	<ul style="list-style-type: none"> ■ SZ Northbound Trading follows same arrangement as SH Northbound Trading 	
Daily Quota	<ul style="list-style-type: none"> ■ When to calculate: Real-time during trading hours ■ Daily Quota Balance: Daily Quota – Buy Orders + Sell Trades + Adjustments (e.g. Buy Order cancelled, Buy Order rejected by SZSE, Buy Order executed at a better price) ■ If Daily Quota balance ≤ 0: <ul style="list-style-type: none"> ➢ During opening call auction [開盤集合競價] (Pre-opening): Reject new buy orders until DQ Balance becomes positive (e.g. due to Buy Order cancellation) ➢ During continuous auction [連續競價] (Continuous Trading): Suspend buy order input for the remaining of the day ➢ During closing auction [收市競價] (for Shenzhen only) : Suspend buy order input for the remaining of the day (i.e. following the mechanism of continuous trading) ➢ Buy orders already input in CSC before suspension will not be affected 	
Quota Info	<ul style="list-style-type: none"> ■ Northbound: <ul style="list-style-type: none"> ➢ HKEX website (at 1-min interval) ➢ CC OG (at 5-second interval) ➢ OMD Index Feed (at 5-second interval) 	<ul style="list-style-type: none"> ■ Southbound: <ul style="list-style-type: none"> ➢ Hyperlink to SZSE website



Risk Alert Shares

Risk alert shares include:

	SZSE			SSE
	Main Board	SME Board	ChiNext Market	Main Board
ST and *ST	✓	✓	x#	✓
Shares subject to delisting process (stock name marked with “退”)	✓	✓	✓	✓

Notes:

- For SZSE ChiNext stocks which have the risk of listing suspension/delisting, the issuers will be required to immediately disclose a listing suspension risk statement (可能被暫停上市的風險提示公告) / delisting risk statement (可能被終止上市的風險提示公告) and to continue such disclosure every 5 days thereafter until the risk is removed.
- These stocks are **not** treated as risk alert shares under Shenzhen Connect.

Northbound Trading: Pre-trade Checking

Pre-trade checking arrangement of Shanghai Connect will also be applied to Shenzhen Connect:

Pre-trade Delivery Model (since the launch of SH-HK Stock Connect)

- Sell orders by an EP will be rejected by CSC if the EP's cumulative sell quantity in that stock for the day is higher than its stockholdings in CCASS at market open
- Same set of account mapping (for GCP with multiple NCPs) will be applied to non-SPSA pre-trade checking model

SPSA Model (Since 30 Mar 2015)

- Existing SPSAs can be used to maintain A shares of both Shanghai Connect and Shenzhen Connect
- Same set of EP mapping and handling for SPSA delivery failure will be applied to SPSA Model.
- Designated EP can execute transactions of China Connect Securities in clients' SPSA by inputting clients' investor ID in the order. EPs should ensure sufficient stockholdings in clients' SPSA or else the orders will be rejected

Enhancements upon the launch of Shenzhen Connect

- EP that is mapped to an investor ID will also be allowed (optional) to input Investor ID in buy orders for clients using SPSA. However, this indicator is only for EP's own reference and there will not be any intraday update in client's stockholding in SPSA. CCASS reports (on slide 31) were enhanced to include the details.



Costs of Participating in Northbound Trading

1. Existing CCEP can use existing CC OG and throttles to trade Shenzhen Connect
2. For new CCEP, follow the existing fee scheme:

Items	Charges
One-off Throttle Fee	HK\$ 50,000 per throttle
Throttle Monthly Fee	HK\$ 960 per throttle (HK\$ 480 per backup throttle)
CC OG Hardware (if procure through HKEX)	HK\$ 30,000 (Standard) / HK\$ 104,000 (High Availability)
CC OG Monthly Fee	HK\$ 1,250 per CC OG

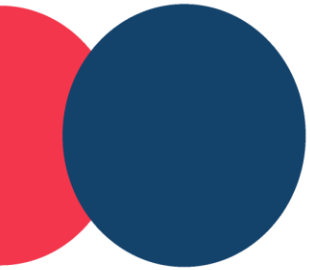


Market Information for Northbound Trading

	SZ Northbound	SH Northbound
Market Data for Trading	<ul style="list-style-type: none"> ▪ 1-depth data of the eligible stock updated every 3 seconds provided to EPs free of charge ▪ Data feed <ul style="list-style-type: none"> ➢ Directly from Shenzhen Securities Information Co. Ltd. (SSIC)**深圳證券信息有限公司 (http://www.szse.cn/main/en/Products/DataProducts) ➢ Indirectly from SSIC's licensed Information Vendors (36 IVs providing Level-1, Level-2 services; see SSIC's website http://www.cninfo.com.cn/fwsq/hq/gsmid.htm for IV list) ▪ View data only <ul style="list-style-type: none"> ➢ Level-1 real-time SZSE market data also available through Internet of Mainland IVs (full list: http://www.cninfo.com.cn/fwsq/hq/gsmid.htm) or websites such as Google Finance, Tencent, Sohu, Baidu, China.com, E-Money, East Money, Hexun etc. ▪ SZ NB Daily Quote Balance message via OMD Index feed at 5-second interval. 	<ul style="list-style-type: none"> ▪ 1-depth data of the eligible stock updated every 5 seconds provided to EPs free of charge ▪ Data feed <ul style="list-style-type: none"> ➢ Directly from China Investment Information Services Ltd (CIIS)*中國投資信息有限公司 (http://www.ciis.com.hk/New_Web/eng/cinfo.html) ➢ Indirectly from CIIS' licensed Information Vendors (more than 50 IVs providing Level-1, Level-2 or A+H collaboration services; see CIIS' website http://www.ciis.com.hk/New_Web/eng/client.html for IV list) ▪ View data only <ul style="list-style-type: none"> ➢ Level-1 real-time SSE market data also available through Internet of Mainland IVs (full list: http://ywtb.sseinfo.com/ywtb/show.do) or websites such as Google Finance, Tencent, Sohu, Baidu, China.com, E-Money, East Money, Hexun etc. ▪ SH NB Daily Quote Balance message via OMD Index feed at 5-second interval.
Issuer Announcements	<ul style="list-style-type: none"> ▪ In Chinese only ▪ Through these channels <ul style="list-style-type: none"> ➢ SZSE website http://disclosure.szse.cn/m/drgg.htm (SZ NB) / SSE website http://www.sse.com.cn/disclosure/listedinfo/announcement (SH NB) ➢ Issuer's websites ➢ HKEX website – China Stock Market Web (only displayed up to T-1 day) (http://www.hkex.com.hk/eng/csm/homepage.asp?LangCode=en) ➢ Four official appointed newspapers and their websites <ul style="list-style-type: none"> ▪ Shanghai Securities News 上海證券報 ▪ Securities Daily 證券日報 ▪ China Securities Journal 中國證券報 ▪ Securities Times 證券時報 	

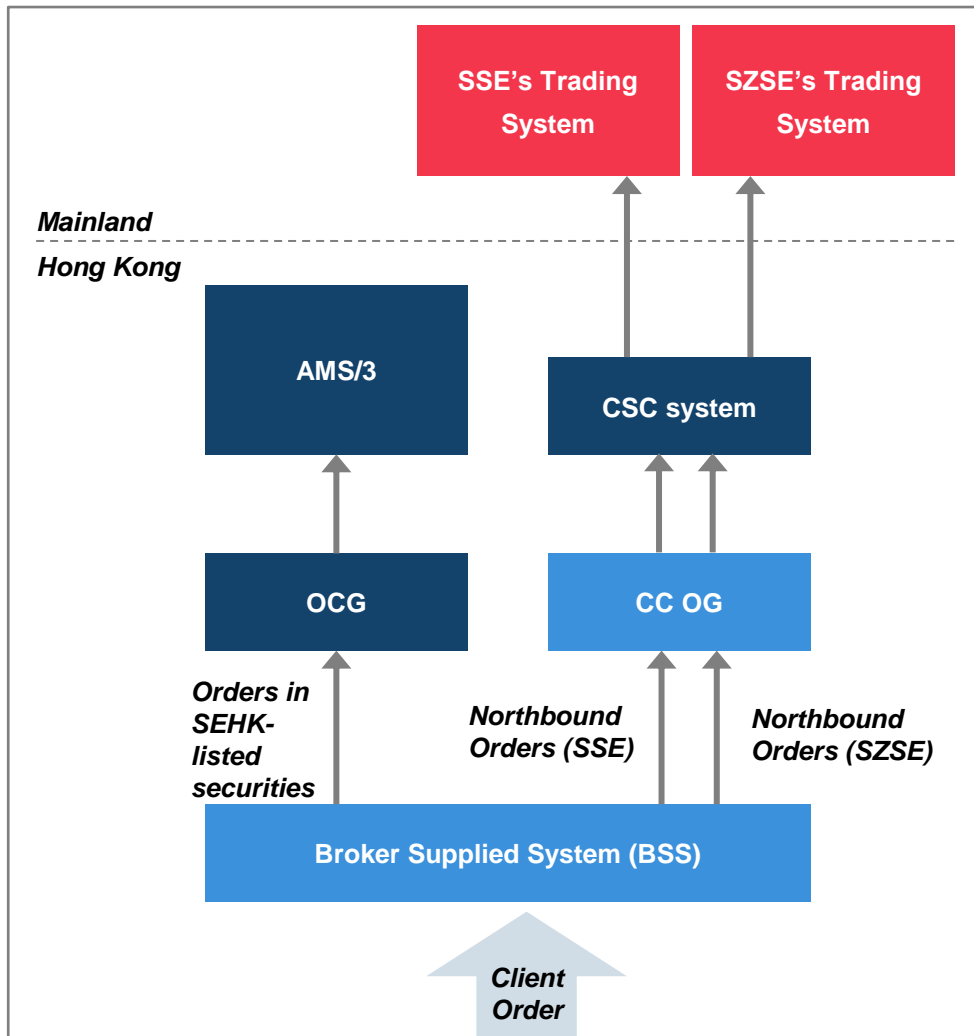
* CIIS is the wholly owned subsidiary of SSE InfoNet Ltd., the sole exclusive authorised organisation managing the securities information of SSE

** Shenzhen Securities Information Co. Ltd., SZSE's exclusive agent for SZSE local and overseas market data businesses



Trading System

Northbound Trading: Technical Set-up Overview



- SH and SZ Northbound trading under same CCOG
- Existing CCOG throttle shared between trading of both markets
- Bandwidth requirement
 - Min. 2Mbps for trading only (i.e. not receiving market data for both SSE and SZSE)
 - Min. 3Mbps for receiving both SSE and SZSE market data

Note:

EPs need to assess whether they need to increase the bandwidth before participating in SZ Northbound trading.



China Stock Connect System(CSC) Modification – Shenzhen Extension

China Stock Connect System (CSC)

- Support the collection and submission of orders in both SSE Securities and SZSE Securities
- Support single trading session from CC OG for both SSE Securities and SZSE Securities
- Separate quota for Shanghai Connect and Shenzhen Connect
- Support Central Trade Feed

China Connect OG (CC OG) EP Interface

- Single CC OG for both Shanghai market and Shenzhen market
 - 1-depth SSE market data and SZSE market data will be provided through CC OG
- (note: The provision of SSE market data and SZSE market data is based on the EP's eligibility to trade in those markets. However, EP may choose not to receive market data via CC OG.)*

Network Connectivity

- For existing CC OG installed at EPs' offices: No additional SDNet circuits are required but the network bandwidth subscription may be increased if it is to receive both SSE market data and SZSE market data
- For CC OG installed at HKEX's hosting service data center: the existing HSN connection can be used



CSC Transaction Flow

Order Input

- Order requests received from BSS via CC OG are validated at CSC and valid orders are forwarded to SSE trading system or SZSE trading system based on the stock code specified in the order request
- Order input acknowledgement is returned to the originating BSS when it is accepted by CSC
- Order and trade confirmations are returned by the corresponding backend trading system to BSS via CSC and CC OG

Various Timing

- Order input time - support order input 5 minutes prior to SSE/SZSE market open and during mid-day close
- Order confirmation - will be returned only after the market is open for both SSE market and SZSE market
- Order cancellation request - can be submitted prior to market open but will not be executed and acknowledgement will not be returned to BSS until market is open due to the backend trading system behaviour

Behavioral Differences Between SSE and SZSE

Northbound Trading

	SSE Northbound Trading	SZSE Northbound Trading
Order Cancellation by backend Trading System after the order is confirmed	Not applicable	Order may be cancelled by SZSE trading system after it has been confirmed due to the unsuccessful order validation*. An example of this is the order price exceeded the current price range. In this case, the order cancellation notification (message ID: 1519) is sent to BSS.
Closing Call Auction (14:57 – 15:00)	No closing call auction session	Order cancellation is not allowed during this period.



* SZSE carries out order validation at the back end of their trading system after orders acceptance. This implementation is specific to SZSE and leads to a difference in behaviour when compared with SSE.

Open Message Changes

	Areas of Change	Open Message Affected	Impact on BSS / EP
1	Order Cancellation	<ul style="list-style-type: none"> 1519 O-UOR (Order Cancel) 1572 O-ROA (Order Activity Enquiry Response) 	<p>New values introduced to the following tag fields that are applicable to Shenzhen northbound trading only:</p> <ul style="list-style-type: none"> 99126 (Order Operation) – Added ‘Z’ to indicate order cancellation by SZSE. 4076 (Message Number) – Added 9122 to indicate order cancellation by SZSE. 3076 (Message Text) – The message text contains the reason code of order cancellation provided by SZSE 99012 (Log Operation Text) – Added “MKTCAN” to indicate the order cancellation is initiated by the backend trading system.
2	Separate quota for Shanghai Connect and Shenzhen Connect	<ul style="list-style-type: none"> 2123 O-BSM (System Message) 	Added market code to the quota balance system message
3	Align with SZSE maximum turnover field length	<ul style="list-style-type: none"> 2102 O-BCD (Security Dynamic Information) 	Support 13-digit turnover on tag 99304 (Turnover) to align with the maximum turnover field length at SZSE.
4	Central Trade Feed (CTF)	<ul style="list-style-type: none"> 8519 O-UFU (CTF Trade Update) 	Support CTF for both SSE transactions and SZSE transactions



CC OG Network Requirement

For CC OG installed at EP's premises:

- Bandwidth requirement

Market Eligibility	Subscribe Market Data	Bandwidth Required (Mbps)
Eligible for Shanghai and Shenzhen Northbound Trading	Yes	3Mbps
Eligible for Shanghai and Shenzhen Northbound Trading	No	2Mbps

- The one-off fee and monthly SDNet/2 circuit rental fee are listed below for reference only

	One-off Fee (2 circuits)	Monthly Fee (2 circuits)
Install one pair of 2Mbps SDNet/2 circuits	No one-time installation charge	≤ HK\$ 3,800
Install one pair of 3Mbps SDNet/2 circuits	No one-time installation charge	≤ HK\$ 4,800
Upgrade SDNet/2 circuit pair from 2Mbps to 3Mbps	≤HK\$ 3,000	≤ HK\$ 4,800

For CC OG installed at HKEX's data center (hosting service):

- The existing HSN connection can be used but EP may have to update their firewall rules on their routers to allow for additional multicast group addresses to pass through.



File Download via Electronic Communication Platform (ECP)

Trade File Download

- SSE concluded trades and SZSE concluded trades are consolidated into a single trade file for download
- Morning trades are available for download after 12:00
- Trades of the entire trading day are available for download after 15:30

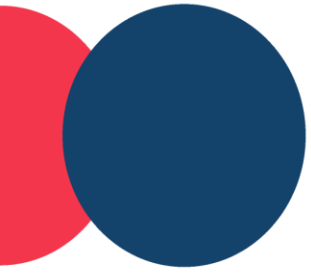
Closing Price File Download

- Separate closing price files for SSE securities and SZSE securities
- Closing price files are available for download after 16:30

Stock Code Mapping File Download

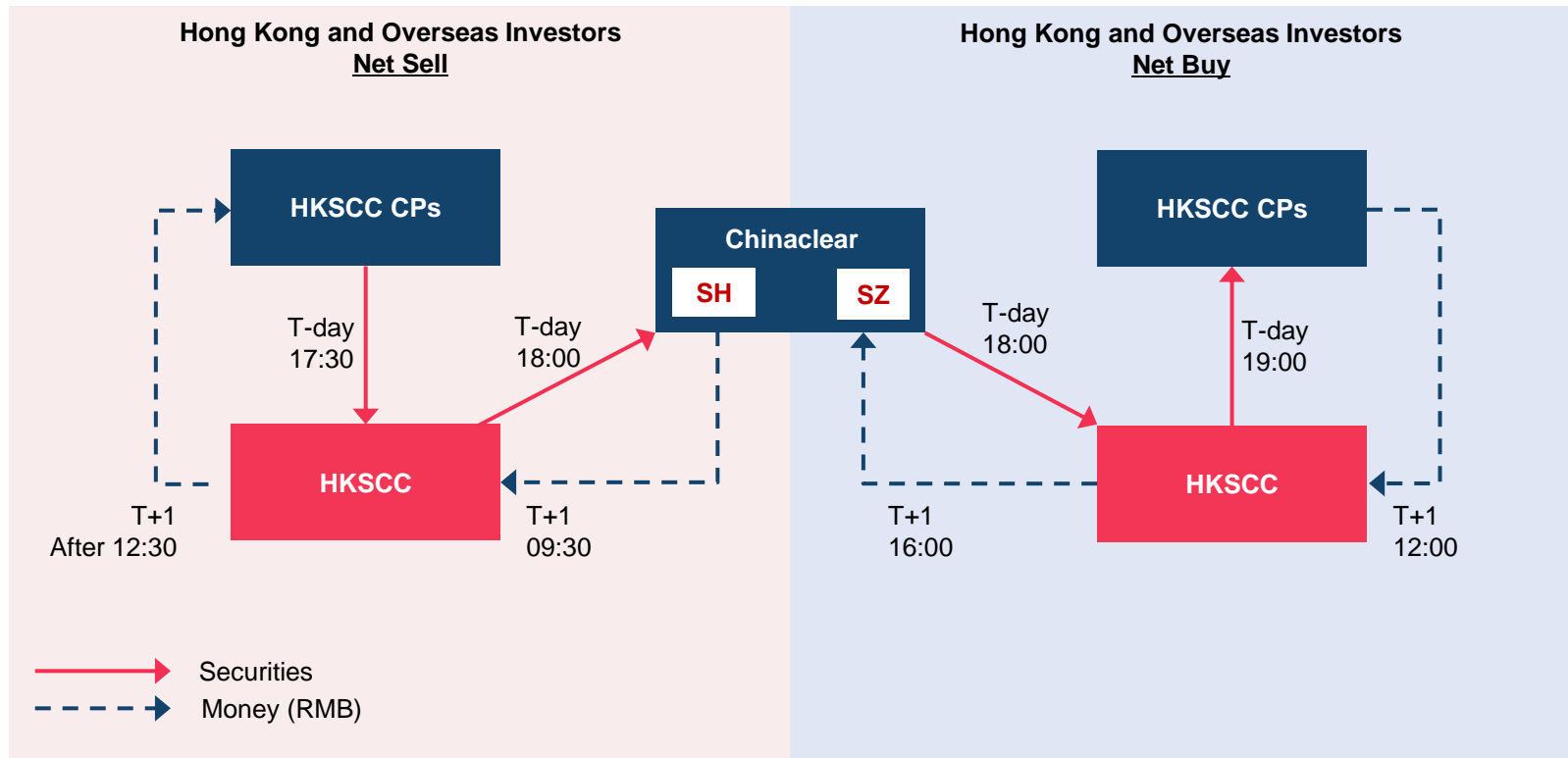
- Stock code mapping for SSE securities and SZSE securities are consolidated into a single file
- Stock code mapping file is available for download after 8:20





Clearing and Settlement

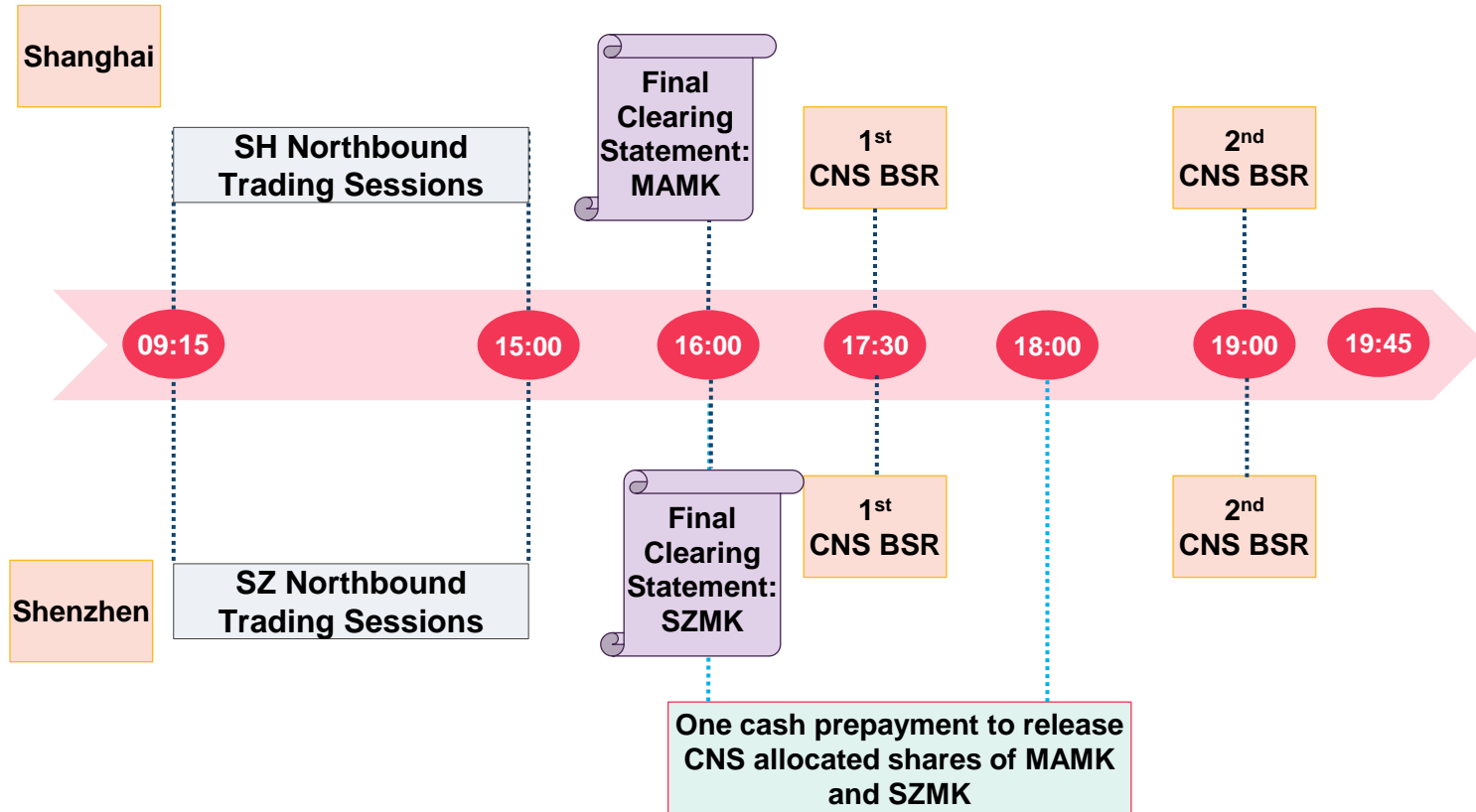
Settlement of Northbound Trades between ChinaClear, HKSCC and CPs



- Same securities & money settlement timeline as Shanghai-HK Stock Connect
- Participants' CNS money obligation in Shanghai and Shenzhen markets will be netted as HKSCC will arrange fund transfer between ChinaClear SH and SZ

Settlement of Northbound Trades in CCASS

CNS Settlement on T-day (Same timeline for SH and SZ securities settlement)

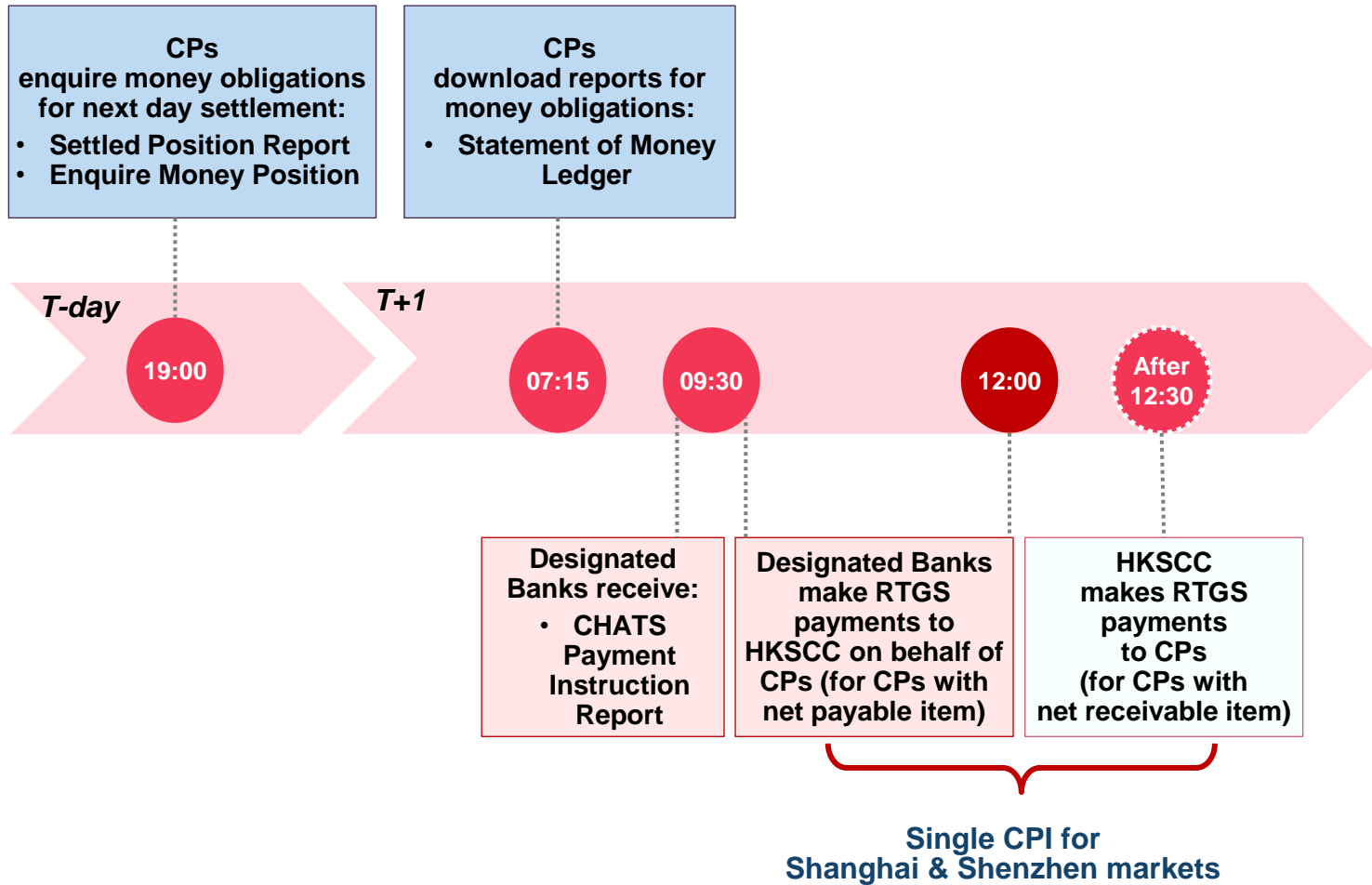


Function maintenance & report generation will be separated for Shanghai & Shenzhen markets

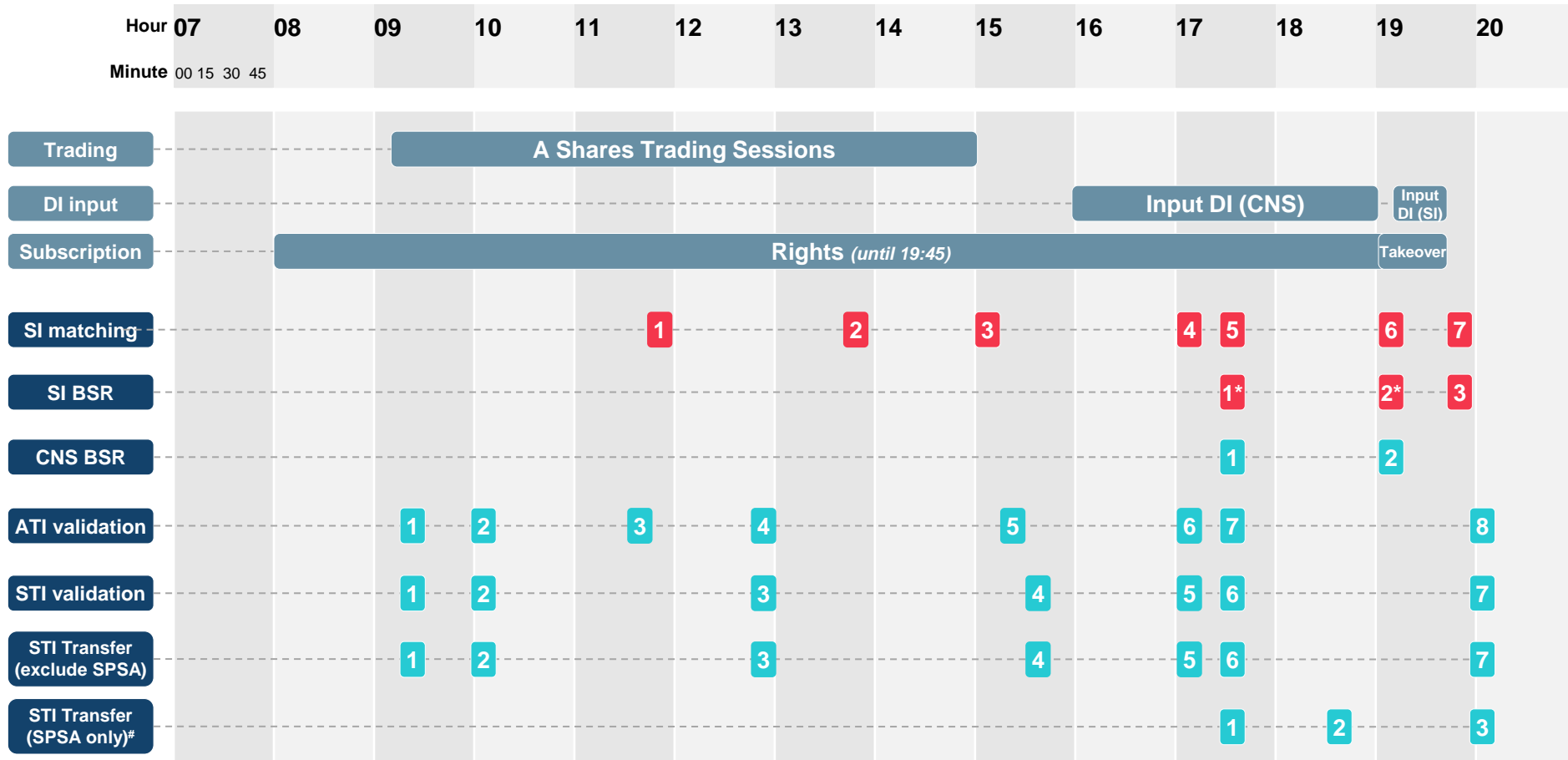


Settlement of Northbound Trades in CCASS

Money Settlement on T+1, in RMB via RTGS



CCASS Processing Schedule for A share Market



* Only for those SIs with SPSA as delivering account

STI Transfer (SPSA only) will be executed before STI Transfer (exclude SPSA), and the first two transfer (17:30 & 18:30) will only transfer shares from SPSA to non-SPSA account



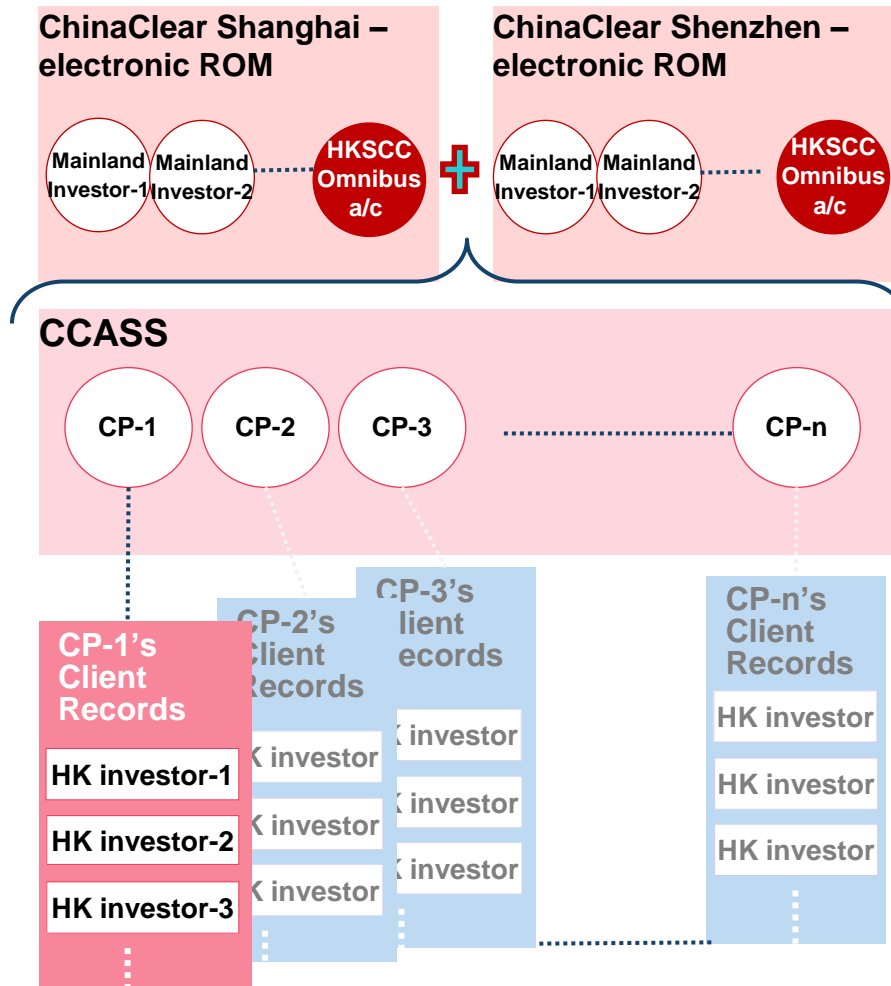
Enhancement of SPSA Model

SPSA Buy Trade Information in CCASS Reports

Report ID	Report Name	Before Shenzhen Connect (existing)	After Shenzhen Connect
CCLID01	Intra-Day Trade File <i>(available to GCPs in data format only)</i>	Origin Indicator = "I" Indicate sell trade for SPSA	Origin Indicator = "I" Will indicate buy / sell trade for SPSA
CCLTN05	Final Clearing Statement	Origin Indicator = "I" Indicate sell trade for SPSA	Origin Indicator = "I" Will indicate buy / sell trade for SPSA
CCLTA01	Trade File of Special Segregated Accounts <i>(available to custodians / CCCPs in data file format only)</i>	Current "Buy-sell indicator" field shows sell trades for SPSA only	"Buy-sell indicator" field will also show buy trades for SPSA



Hold A-shares through CCASS



- HKSCC opens separate omnibus accounts at ChinaClear Shanghai branch and Shenzhen branch to hold A-shares
- ChinaClear Shanghai and ChinaClear Shenzhen record as electronic Register of Members (ROM) in respective systems
- A-shares of both Shanghai and Shenzhen markets acquired through Northbound Trading are held at the same set of CPs' CCASS stock accounts
- Hong Kong and overseas investors' ownership of A-shares is reflected in their brokers or custodians' client records

Handling of Corporate Actions on A-shares

1. Common Corporate Actions of Shenzhen Market include Voting, Cash / Scrip Dividend Distribution, Rights Issue and Takeover Offer, etc.
2. Provision of Nominee Services and handling of Corporate Actions on A-shares for Shanghai Market and Shenzhen Markets by HKSCC are largely the same, including typhoon and holiday arrangement
3. Different market practices and arrangements on the handling of Scrip Entitlement

	Shanghai Market (MAMK)	Shenzhen Market (SZMK)
CCASS Payable Date	Record Date + 1	Record Date
CCASS Scrip Distribution Schedule	4 Batches: ~ 07:30 ~ 18:00 ~ 19:00 ~ 20:30	4 Batches: ~ 07:30 ~ 20:00 ~ 20:30 ~ 21:00
New Shares Dealing Date	Record Date + 2	Record Date + 1

Fees & Charges for A shares Northbound Trades

Subject to the approval of the SFC, it is expected that fees and taxes for SZ and SH Northbound trading are the same.

Items	Rate	Charged by
Handling Fee (經手費)	0.00487% of the consideration of a transaction per side	SZSE
Securities Management Fee (證管費)	0.002% of the consideration of a transaction per side	CSRC
Transfer Fee (過戶費)	0.002% of the consideration of a transaction per side	ChinaClear
	0.002% of the consideration of a transaction per side	HKSCC
Stamp Duty (交易印花稅)	0.1% of the consideration of a transaction on the seller	SAT

Subject to further regulatory announcement, PRC tax policies in respect of capital gains tax, dividend tax, stamp duty and business tax currently applying to SH Northbound may apply to SZ Northbound.



Fees & Charges for A shares Northbound Trades (cont'd)

Subject to the approval of SFC, Portfolio fee currently imposed for providing DNS services to CCASS Participants on their SSE Securities will be extended to include SZSE Securities as a single portfolio for fee calculation upon the launch of Shenzhen Connect*.

Tier Level	Proposed Portfolio Value Range	Proposed Fee Rate
1	The first HK\$ 50 bn	0.008%
2	The next HK\$ 200 bn (portfolio values between HK\$50 bn and HK\$ 250 bn)	0.007%
3	The next HK\$ 250 bn (portfolio values between HK\$250 bn and HK\$ 500 bn)	0.006%
4	The next HK\$ 250 bn (portfolio values between HK\$500 bn and HK\$ 750 bn)	0.005%
5	The next HK\$ 250 bn (portfolio values between HK\$750 bn and HK\$ 1,000 bn)	0.004%
6	Remainder (portfolio values above HK\$ 1,000 bn)	0.003%



* Current CCDPC02 "Monthly Portfolio Fee Collection Report of China Connect Markets" generated under market code "MAMK" will report the combined portfolio fee of Shanghai and Shenzhen markets.

Stock Code Conversion for SSE and SZSE

Shanghai Connect

Existing SSE stock codes:
start with "60"

60XXXX



Mapped to CCASS:
replace "60" with "9"

9XXXX

Example:

603993



93993

Shenzhen Connect

Existing SZSE stock codes:
Main Board & SME Board
start with "00"

00XXXX



Mapped to CCASS:
replace "00" with
"7"

7XXXX

Existing SZSE stock codes:
ChiNext Market
start with "300"

300XXX



Mapped to CCASS:
replace "300" with
"77"

77XXX

Examples:

002703

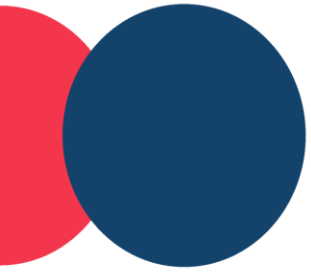


72703

300356



77356



Risk Management

Risk Management Measures on Northbound Trades

	SSE Securities trades (in RMB)	SZSE Securities trades (in RMB)
ChinaClear	<ol style="list-style-type: none"> 1. Mainland Settlement Deposit 2. Mainland Security Deposit (non-mutualised portion) 	Same as SSE Securities trades
HKSCC	<ol style="list-style-type: none"> 3. Intra-day Mainland Settlement Deposit 4. Additional cash collateral 	

Collateral is separately calculated for Shanghai and Shenzhen Northbound trades



Risk Management Measures on Northbound Trades

Mainland Settlement Deposit (Intra-day & Day-end)

	SSE Securities trades	SZSE Securities trades
Calculation	<ul style="list-style-type: none"> Same calculation methodology Same Settlement Deposit Rate at 20% 	
Frequency	<ul style="list-style-type: none"> Calculate at intra-day and day-end on each Northbound trading day 	
Tolerance limit for intra-day collection	<ul style="list-style-type: none"> An aggregate amount of RMB 5 mn covers both the shortfalls in Shanghai and Shenzhen Northbound trades 	
Broadcast message	<ul style="list-style-type: none"> Separate broadcast messages of estimated requirement will be generated at around 16:30 for each market 	
Participant report	<ul style="list-style-type: none"> Intra-day Mainland Settlement Deposit Payable Report (Shanghai) (CRMSD07) Mainland Settlement Deposit Payable Report (Shanghai) (CRMSD01) 	<ul style="list-style-type: none"> Intra-day Mainland Settlement Deposit Payable Report (Shenzhen) (CRMSD09) Mainland Settlement Deposit Payable Report (Shenzhen) (CRMSD04)



Risk Management Measures on Northbound Trades

Mainland Security Deposit

	SSE Securities trades	SZSE Securities trades
Calculation	<ul style="list-style-type: none"> Same calculation methodology but different Security Deposit Rate 	
Security Deposit Rate	16.4%	18.5%
Minimum amount*	RMB 200,000	
Frequency	<ul style="list-style-type: none"> Calculate on monthly basis 	
Participant report	Mainland Security Deposit Payable Report (Shanghai) (CRMGF01)	Mainland Security Deposit Payable Report (Shenzhen) (CRMGF03)



* China Connect Clearing Participants are required to pay the minimum amount of RMB 200,000 for participation in Shanghai and Shenzhen markets. This minimum amount is applied to Shanghai market for calculating Mainland Security Deposit requirement.

Mainland Settlement Deposit and Mainland Security Deposit

Collection and Refund Mechanism

Mainland Settlement Deposit	
Collection	<ul style="list-style-type: none">■ Intra-day via CPI or RTGS by 14:00■ Day end via day-end DDI
Refund	<ul style="list-style-type: none">■ via day-end DCI
Mainland Security Deposit	
Collection	<ul style="list-style-type: none">■ On 1st business day via day-end DDI
Refund	<ul style="list-style-type: none">■ via day-end DCI
Quarterly interest on Mainland Settlement Deposit and Mainland Security Deposit	
Payment	<ul style="list-style-type: none">■ On 1st business day of each quarter via day-end DCI
Applicable for both Shanghai and Shenzhen Northbound trades	

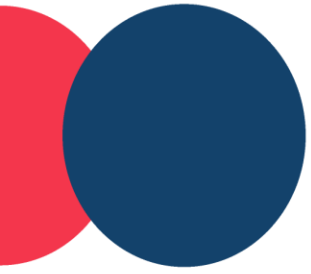


HKSCC Guarantee Fund (HKSCC GF)

Implications of Shenzhen Northbound Trading

Coverage	<ul style="list-style-type: none">■ Extend to cover any residual loss in closing out a defaulting CP's positions in SZSE Securities■ Will not cover losses from ChinaClear's default
Fund Size Determination	<ul style="list-style-type: none">■ Include positions in HK stocks, SSE Securities and SZSE Securities
CP's Required Contribution	<ul style="list-style-type: none">■ Calculated based on a CP's positions in HK stocks, SSE Securities and SZSE Securities■ No change to Dynamic Contribution Credit: HK\$1 mn per CP
Frequency of GF Review	<ul style="list-style-type: none">■ No change
Collection / Refund Timetable	<ul style="list-style-type: none">■ No change
Reports	<ul style="list-style-type: none">■ No change to format of CP's reports<ul style="list-style-type: none">➢ Statement of Guarantee Fund Contributions➢ NCP(s) Guarantee Fund Contribution Projection by Position





How to Participate

Who can Participate in Northbound Trading?

Market Participants

- Existing China Connect EPs/CPs (CCEPs/CCCPs) to participate in SZ Northbound:
 - Submit undertaking to new SEHK SPV in Shenzhen
 - Pass required testing, where applicable
- New CCEPs/CCCPs to participate in both SH and SZ Northbound:
 - Meet eligibility and readiness requirement
 - Submit registration form and undertaking to SEHK SPVs
 - Pass required testing

Investors

- Except ChiNext Market of SZSE, all investors* in Hong Kong market
 - Including institutional and individual investors
 - Including both Hong Kong local and overseas investors

ChiNext Market:

limited to institutional professional investors initially**

* Except Investor Participants (IPs) at the initial stage

** Other investors may later be allowed to trade SZSE ChiNext stocks subject to resolution of related legal and regulatory issues



Considerations for Broker Investments

Infrastructure

- ✓ Single gateway for both Shanghai and Shenzhen Connect
- ✓ Shared throttle for both Shanghai and Shenzhen Connect
- ✓ Protect capital investment on existing hardware and software
- ✓ Support business growth with existing infrastructure
- ✓ Flexibility to manage flow across both Shanghai and Shenzhen Connect

Operation

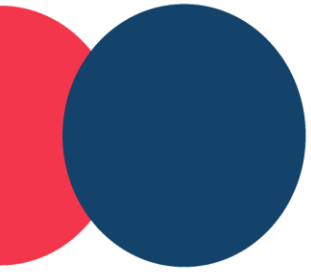
- ✓ Single Connect model for Trading and Clearing
- ✓ Same operational flow for both Connect markets

Fees

- ✓ Consolidated portfolio fee calculation for both Connect markets to lower cost¹

Minimal incremental impact and investments for brokers

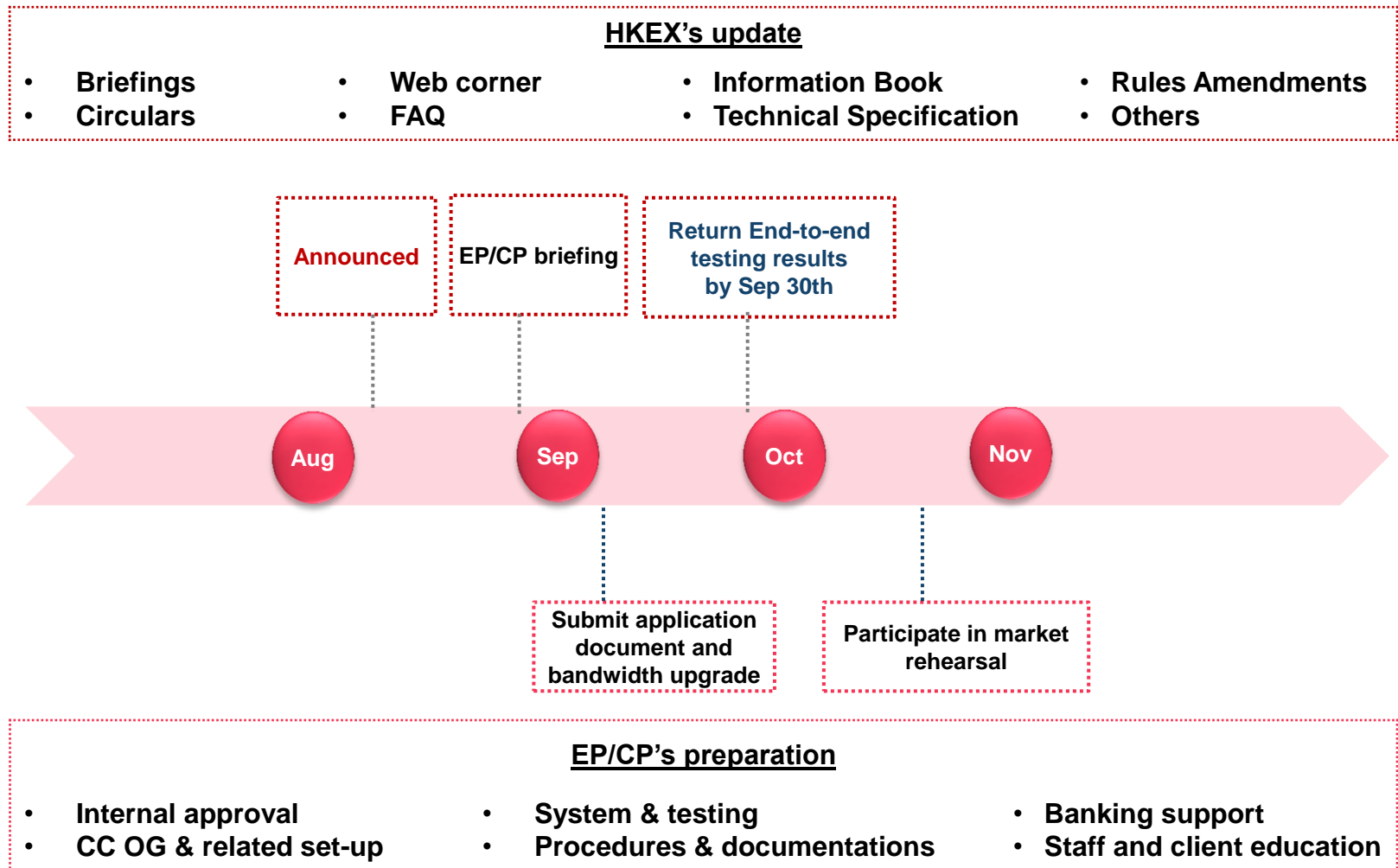




Implementation

Tentative Schedule –

Key Activities for launch (Subject to Regulators' Approval)



Market Rehearsal Arrangement

Date	Event	Nature
Oct	Connectivity Test (EP) / Pilot MR (CP)	<ul style="list-style-type: none"> Optional for Participants to verify their readiness in MR 1 Follow same flow and schedule as MR1 Result confirmation is not required
Oct/ Nov	Market Rehearsal 1 (MR1)	<ul style="list-style-type: none"> Simulate T, T+1 & T+2 trading, clearing and settlement activities arise from Hong Kong stock, Shanghai A-shares and Shenzhen A-shares Simulate corporate action handling of A-share markets Result confirmation is required
Oct/ Nov	Market Rehearsal 2 (MR2)	<ul style="list-style-type: none"> Day 1: Simulate AMS, CSC and CCASS failover from primary data centre to secondary data centre during normal business hours Day 2: Simulate SZSE and ChinaClear SZ failover Result confirmation is required

Notes:

- Existing CCEPs / CCCPs can register to trade, clear and settle Shenzhen A-shares by completing and returning the required form to HKEX (form will be available on website later). **CCEPs wish to participate in the Shenzhen-Hong Kong Stock Connect upon its launch must complete the MR1 and MR2 with positive result.** CCCPs are strongly encouraged to participate in the MR.
- Non- CCEPs / Non - CCCPs who wish to be admitted as CCEPs / CCCPs to conduct trading and clearing activities in China Stock Connect must register and complete MR1 and MR2 with positive result confirmation.**

Detailed MR arrangement and enrolment method will be announced via circular issued by SEHK and HKSCC in due course



More Information on the Website

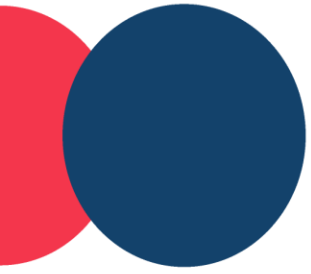
Visit the Mutual Market Web Corner at:

www.hkex.com.hk/mutualmarket





Questions and Answers



Appendix

Appendix 1: Trading Arrangements of Connect Securities

Trading Arrangements of SZ and SH Northbound Trading		
1.	Trading on Hong Kong Holidays	Not open if trading day and/or settlement day falls on Hong Kong holiday
2.	Order Types	Limit orders only (SSE/SZSE limit orders may be executed at or better than the input price)
3.	Order Modification	Not allowed (must cancel and re-input order)
4.	Board Lot	100 shares (applicable to buy orders only)
5.	Odd Lot	Sell orders only (should be made in one single order)
6.	Max Order Size	1 mn shares
7.	Spread	Uniform at RMB 0.01
8.	Price Limit	<ul style="list-style-type: none"> In general $\pm 10\%$ on previous closing price ($\pm 5\%$ for ST and *ST stocks) Price of buy orders must not be lower than 3% of current best bid price (in its absence the latest trade price; and in the absence of both then previous closing price)
9.	Trading Currency	RMB
10.	Day (Turnaround) Trading	Not allowed
11.	Manual Trade / Block Trade	Not allowed
12.	Pre-trade checking	<ul style="list-style-type: none"> Apply on all sell orders If EP inputs buy/sell orders for clients to sell A shares in SPSA, it must input the relevant client's Investor ID in the sell order for pre-trade checking



Appendix 1: Trading Arrangements of Connect Securities (Cont'd)

Trading Arrangements of China Connect Securities (Northbound Trading)		
13.	Margin Trading	<ul style="list-style-type: none"> • Only eligible A shares are allowed (see List of Eligible SSE/SZSE Securities for Margin Trading) • SSE/SZSE may suspend margin trading in specific A shares if the volume of margin trading in such A shares exceeds a certain threshold
14.	Stock Borrowing & Lending (SBL)	<ul style="list-style-type: none"> • Only allowed for (i) covered short selling and (ii) meeting pre-trade checking • Only eligible persons may lend China Connect Securities (refer to EP/CP Info book and FAQ) • EPs need to submit undertaking by EPs as lenders and confirmation by EP as borrowers • Registered EPs must submit monthly reports on SBL activities (Nil reports are also required)
15.	Short Selling	<ul style="list-style-type: none"> • Only eligible A shares are allowed (see List of Eligible SSE/SZSE Securities for Short Selling) • Short selling orders must be (i) flagged; (ii) in multiple of 100 shares and (iii) subject to tick rule (the price of a short selling order must not be lower than the most recent execution price (or the previous closing price if there have been no executed trades on a given day) of the relevant Short Selling Security. Short selling quantity of an eligible A share is subject to a daily limit (1%) and a 10-day cumulative limit (5%) • SSE/SZSE may suspend short selling of specific A shares if the short selling activities of such A shares exceed a certain threshold • There are reporting requirements (Short Selling Weekly Report, Large Open Short Position Report) • Short selling statistics are available on HKEX website to facilitate short selling
16.	Non-trade Transfer	<p>Allowable for:</p> <ul style="list-style-type: none"> • SBL for covered short selling purpose (not more than one month duration); • SBL for the purpose of satisfying the pre-trade checking requirement (one-day duration which cannot be rolled over); • Transfers between EPs and their clients for the purpose of rectifying error trades; • Post-trade allocation of shares to different funds/sub-funds by fund managers; • Other situations specified by SSE, SZSE and ChinaClear.



Appendix 2.1: Northbound Trading Arrangement of Entitlements and Non-Eligible Stocks

SZ and SH Northbound Trading - Entitlements

- Entitlements:
 - if it is an SSE/SZSE Security, both buy and sell orders are allowed
 - if it is not an SSE/SZSE Security but is SSE/SZSE-listed, only sell orders are allowed
 - if it is not SSE/SZSE-listed, HKSCC will consider alternative arrangements and will notify CCASS Participants accordingly

SZ and SH Northbound Trading – Special Securities

- Only sell orders are allowed if an A share:
 - ceases to be a constituent stock of relevant indices
 - becomes a risk alert share
 - (which is not the index constituent stock) whose corresponding H share is delisted from SEHK

Appendix 2.2: Southbound Trading Arrangement of Entitlements and Non- Eligible Stocks

HK Southbound Trading - Entitlements

- Entitlements:
 - if it is an SEHK Security, both buy and sell orders are allowed
 - if it is not an SEHK Security but is SEHK-listed, only sell orders are allowed
 - if it is not an SEHK-listed, ChinaClear will consider alternative arrangements

HK Southbound Trading – Special Securities

- Only sell orders are allowed if a stock:
 - ceases to be a constituent stock of relevant indices
 - (which is an H share) whose corresponding A share becomes a risk alert share
 - (which is not an index constituent stock) whose corresponding A share is delisted from SSE/SZSE

Appendix 3: Holiday Arrangement

- Initially, Hong Kong and overseas investors will only be allowed to trade SSE/ SZSE Securities on days when:
 - both SEHK and SSE/SZSE are open for business; and
 - banking services of both markets are open on the corresponding money settlement days

Date	Hong Kong	Mainland	Shanghai and Shenzhen Connect		
			Trading (T-day)	Money Settlement (for T-1 day's trades)	Securities Settlement (for T-day's trades)
16 Apr 2014 (Wed)	Business Day	Business Day	✓	✓	✓
17 Apr 2014 (Thu)	Business Day	Business Day	x [^]	✓	x [^]
18 Apr 2014 (Fri)	Public Holiday	Business Day	x	x	x
21 Apr 2014 (Mon)	Public Holiday	Business Day	x	x	x
22 Apr 2014 (Tue)	Business Day	Business Day	✓	✓ [#]	✓

[^] Although 17 Apr is a business day for both Hong Kong and Mainland, if EPs trade SSE/ SZSE Securities on 17 Apr, CPs may have difficulty settling their money positions with HKSCC on 18 Apr, which is a public holiday in Hong Kong. Hence Northbound trading will not be open on 17 Apr.

[#] There will not be any money settlement for Northbound trades on 22 Apr as 21 Apr is not open for Northbound trading. However, as CCASS is open for business on 22 Apr, it will still process money transactions in relation to nominees activities with respect to SSE/ SZSE Securities, if any.

- Similar arrangement for Southbound trading

(Southbound trading will be opened when the Mainland market is open on the corresponding T-day, and Mainland banking services are available on T+1 and T+2)

Appendix 4.1: Trading, Clearing and Settlement Arrangement under Severe Weather Condition

- If SSE/SZSE notifies the market about the potential service suspension of trading on the following trade day due to severe weather conditions, SEHK will notify the market accordingly
- In case of Typhoon signal no. 8 or above (T8) or Black rainstorm in Hong Kong:

Scenarios	Northbound Trading of SSE/SZSE Securities	Money Settlement (for T-1 position)	Securities Settlement (for T position)
1. T8 / Black rainstorm issued before HK market opens (i.e. 9:00) and discontinued after 12:00	Not open	No	N/A
2. T8 issued between 9:00 and 9:15	Not open	Yes	
3. T8 issued after Shanghai/Shenzhen market opens (i.e. 9:15)	Trading will continue for 15 minutes after T8 issuance, thereafter, only order cancellation is allowed till Shanghai/Shenzhen market close	Yes	Yes
4. Black rainstorm issued after HK market opens (i.e. 9:00)	Trading continues as normal	Yes	Yes
5. T8 / Black rainstorm discontinued at or before 12:00	Trading resumes after 2 hours	Postpone to 15:00	

Appendix 4.2: Handle Corporate Actions of SSE/SZSE Securities on Holidays / under Severe Weather Condition

	Hong Kong Public Holiday	Typhoon signal/Black Rainstorm issued before 9 a.m. and discontinued at or before 12 noon	Typhoon signal issued at or after 9:00 a.m.	Typhoon signal/ Black Rainstorm issued before 9 a.m. and discontinued after 12 noon
Shareholding Date of Benefit Entitlement	Set on the common business day prior to HK Holiday	No impact	No impact	No impact
Payable Date	Set on the common business day ¹ following HK Holiday	No impact	Postpone to next business day ¹	Postpone to next business day ¹
Shareholding Date of Voting	Set on the common business day prior to HK Holiday	No impact	No impact	No impact
Voting End Date	Set on the common business day prior to HK Holiday	Instruction input function resume after CCASS service resumption	No Impact	Manual instruction to HKSCC will be required ²
Subscription End Date of Takeover Offer/Rights Issue	Set on the common business day prior to HK Holiday	Instruction input function resume after CCASS service resumption	No Impact	Manual instruction to HKSCC is required ²



Appendix 5: Shareholding Restrictions and Disclosure Obligations on A Shares (per existing PRC Rules)

Foreign Shareholding Restrictions

- Aggregate foreign investors' shareholding in an A share must \leq 30% of the total issued shares
 - When Aggregate Foreign Shareholding reaches 26%, SSE/SZSE will publish notice
 - When Aggregate Foreign Shareholding exceeds 30%, SSE/SZSE will send notices to the foreign investors concerned for them to sell the shares on a last-in-first-out basis within five days
 - Foreign investors: QFII, RQFII and investors trading A shares through Shanghai and Shenzhen Connect
 - When Aggregate Foreign Shareholding reaches 28%, HKEX will stop accepting further buy orders on that A share, until shareholding lowers to 26%
 - If Aggregate Foreign Shareholding exceeds 30%, and the excess is due to Shanghai or Shenzhen Connect, HKEX will identify the relevant EP and require it to follow the force-sell requirements
- Single foreign investors' shareholding in an A share must \leq 10% of the total issued shares
 - As HKEX does not have individual investor's shareholding information, EPs should remind their clients to comply with the rule

General Disclosure Obligations

- Who's liable: If an investor holds or controls up to 5% of the issued shares of a Mainland listed company, he is required to disclose
- How to disclose: Report in writing to the CSRC and SSE/SZSE, and inform the listed company within three working days.
- Other restrictions: The investor is not allowed to buy or sell in that listed company during the three days. When relevant shareholding fall below 5%, the investor has to make the disclosure as well.

EPs/CPs can refer to the CCASS Shareholding Information on the HKEXnews website (披露易) for their shareholding percentage and alert their clients for any disclosure obligations if necessary



Appendix 6.1: Portfolio Fee Calculation – Example

Case:

The daily portfolio value of a CP in May 2015*:

On 1 – 3 May:

HK\$1,167,904,440.80

On 4 – 17 May:

HK\$13,292,093,660.60

On 18 – 31 May:

HK\$313,664,829,750.00

* Reflected in the following slide

Tier Level	Proposed Portfolio Value Range	Proposed Fee Rate
1	The first HK\$ 50 bn	0.008%
2	The next HK\$ 200 bn (portfolio values between HK\$ 50 bn and HK\$ 250 bn)	0.007%
3	The next HK\$ 250 bn (portfolio values between HK\$ 250 bn and HK \$500 bn)	0.006%
4	The next HK\$ 250 bn (portfolio values between HK\$ 500 bn and HK\$ 750 bn)	0.005%
5	The next HK\$ 250 bn (portfolio values between HK\$750 billion and HK\$1,000 bn)	0.004%
6	Remainder (portfolio values above HK\$1,000 bn)	0.003%

Date (no. of calendar days)	Applicable Tier Level	Total Portfolio Fees (HK\$)
1 – 3 May (3)	Tier 1: $\$1,167,904,440.80 \times 0.008\% / 365 = \255.97905	$\$255.98 \times 3 = \767.94
4 – 17 May (14)	Tier 1: $\$13,292,093,660.60 \times 0.008\% / 365 = \$2,913.33559$	$\$2,913.34 \times 14 = 40,786.76$
18 – 31 May (14)	Tier 1: $\$50,000,000,000 \times 0.008\% / 365 = \$10,958.90410$ Tier 2: $\$200,000,000,000 \times 0.007\% / 365 = \$38,356.16438$ Tier 3: $\$63,664,829,750 \times 0.006\% / 365 = \$10,465.45146$	$\$59,780.52 \times 14 = \$836,927.28$
Total Portfolio Fee for the month		\$878,481.98



Appendix 6.2: Report Sample – CCDPC02

1)CCDPC02 (2)B11668
 3)GOODWILL & COMPANY
 6)DATE : 31MAY15

MHSOC - CCASS
 MONTHLY PORTFOLIO FEE COLLECTION REPORT
 (CHINA CONNECT MARKETS)

(4)RUN DATE : 31MAY15
 (5)RUN TIME : 22:30:00
 PAGE : 1

(7) VALUE DATE	(8) MAMK PORTFOLIO VALUE	(9) SZMK PORTFOLIO VALUE	(10) MAMK + SZMK PORTFOLIO VALUE	(11) HIGHEST TIER LEVEL	(12) PORTFOLIO FEE
01MAY15	1,167,904,440.80	0.00	1,167,904,440.80	1	255.98
02MAY15	1,167,904,440.80	0.00	1,167,904,440.80	1	255.98
03MAY15	1,167,904,440.80	0.00	1,167,904,440.80	1	255.98
04MAY15	8,881,116,686.00	4,410,976,974.60	13,292,093,660.60	1	2,913.34
05MAY15	8,881,116,686.00	4,410,976,974.60	13,292,093,660.60	1	2,913.34
06MAY15	8,881,116,686.00	4,410,976,974.60	13,292,093,660.60	1	2,913.34
07MAY15	8,881,116,686.00	4,410,976,974.60	13,292,093,660.60	1	2,913.34
08MAY15	8,881,116,686.00	4,410,976,974.60	13,292,093,660.60	1	2,913.34
09MAY15	8,881,116,686.00	4,410,976,974.60	13,292,093,660.60	1	2,913.34
10MAY15	8,881,116,686.00	4,410,976,974.60	13,292,093,660.60	1	2,913.34
11MAY15	8,881,116,686.00	4,410,976,974.60	13,292,093,660.60	1	2,913.34
12MAY15	8,881,116,686.00	4,410,976,974.60	13,292,093,660.60	1	2,913.34
13MAY15	8,881,116,686.00	4,410,976,974.60	13,292,093,660.60	1	2,913.34
14MAY15	8,881,116,686.00	4,410,976,974.60	13,292,093,660.60	1	2,913.34
15MAY15	8,881,116,686.00	4,410,976,974.60	13,292,093,660.60	1	2,913.34
16MAY15	8,881,116,686.00	4,410,976,974.60	13,292,093,660.60	1	2,913.34
17MAY15	8,881,116,686.00	4,410,976,974.60	13,292,093,660.60	1	2,913.34
18MAY15	95,890,750.00	313,568,939,000.00	313,664,829,750.00	3	59,780.52
19MAY15	95,890,750.00	313,568,939,000.00	313,664,829,750.00	3	59,780.52
20MAY15	95,890,750.00	313,568,939,000.00	313,664,829,750.00	3	59,780.52
21MAY15	95,890,750.00	313,568,939,000.00	313,664,829,750.00	3	59,780.52
22MAY15	95,890,750.00	313,568,939,000.00	313,664,829,750.00	3	59,780.52
23MAY15	95,890,750.00	313,568,939,000.00	313,664,829,750.00	3	59,780.52
24MAY15	95,890,750.00	313,568,939,000.00	313,664,829,750.00	3	59,780.52
25MAY15	95,890,750.00	313,568,939,000.00	313,664,829,750.00	3	59,780.52
26MAY15	95,890,750.00	313,568,939,000.00	313,664,829,750.00	3	59,780.52
27MAY15	95,890,750.00	313,568,939,000.00	313,664,829,750.00	3	59,780.52
28MAY15	95,890,750.00	313,568,939,000.00	313,664,829,750.00	3	59,780.52
29MAY15	95,890,750.00	313,568,939,000.00	313,664,829,750.00	3	59,780.52
30MAY15	95,890,750.00	313,568,939,000.00	313,664,829,750.00	3	59,780.52
31MAY15	95,890,750.00	313,568,939,000.00	313,664,829,750.00	3	59,780.52
(13) TOTAL:					878,481.98

TIER STRUCTURE AND RATE FOR REFERENCE:
 TIER 1 - FROM 0 TO 50,000,000,000 (RATE: 0.0080 % PER ANNUM)
 TIER 2 - FROM 50,000,000,000 TO 250,000,000,000 (RATE: 0.0070 % PER ANNUM)
 TIER 3 - FROM 250,000,000,000 TO 500,000,000,000 (RATE: 0.0060 % PER ANNUM)
 TIER 4 - FROM 500,000,000,000 TO 750,000,000,000 (RATE: 0.0050 % PER ANNUM)
 TIER 5 - FROM 750,000,000,000 TO 1,000,000,000,000 (RATE: 0.0040 % PER ANNUM)
 TIER 6 - FROM 1,000,000,000,000 (RATE: 0.0030 % PER ANNUM)

Portfolio Fee will be calculated based on total portfolio value of MAMK and SZMK on each day



Appendix 7: Statement of Money Ledger Sample Global Report for HKMK, MAMK and SZMK

CSEMS08 (2)B03456		HKSCC - CCASS		(4) RUN DATE : 08DEC14		
CCASS COMPANY		STATEMENT OF MONEY LEDGER		(5) RUN TIME : 22:00:02		
DATE : 08DEC14				PAGE : 1		
CURRENCY : CNY						
(16) POSTING DATE	(8) MARKET DATE	(9) LEDGER TRN NO	(17) TRN TYP	(10) MKT CODE	(12) CR AMOUNT/ (11) DR AMOUNT	(13) BALANCE
SETTLEMENT A/C						
EXTENDED SESSION-BROUGHT FORWARD BALANCE						50,000.00-
NORMAL SESSION						
08DEC14	08DEC14	M00049124	X1	MAMK	A-SHARE CPI PMT GENERATION NO. J427540	50,000.00 0.00
08DEC14	08DEC14	M00125467	X6	MAMK	CASH PREPMT TO RELEASE ON-HOLD A-SHARE	3,727,200.00 3,727,200.00
08DEC14	08DEC14	M40045714	01	HKMK	SETTLEMENT OBLIGATIONS	50,800.00 3,778,000.00
08DEC14	08DEC14	M01214954	89	GLOB	EVENING DCI GENERATION NO.D40371568	50,800.00- 3,727,200.00
08DEC14	08DEC14	M40415010	01	MAMK	SETTLEMENT OBLIGATIONS	6,000.00- 3,721,200.00
08DEC14	08DEC14	M40415008	01	SZMK	SETTLEMENT OBLIGATIONS	3,721,200.00- 0.00
EXTENDED SESSION-CARRIED FORWARD BALANCE						0.00
MARGIN & PENDING MARKS A/C						
EXTENDED SESSION-BROUGHT FORWARD BALANCE						0.00
EXTENDED SESSION-CARRIED FORWARD BALANCE						0.00
OVERDUE POSITION MARKS A/C						
EXTENDED SESSION-BROUGHT FORWARD BALANCE						0.00
EXTENDED SESSION-CARRIED FORWARD BALANCE						0.00
ENTITLEMENTS A/C						
EXTENDED SESSION-BROUGHT FORWARD BALANCE						0.00
NORMAL SESSION						
08DEC14	08DEC14	M40122745	08	MAMK	CASH DIVIDEND/PAYMENT ON ABC SECURITY	1,215.00 1,215.00
08DEC14	08DEC14	M40122745	08	SZMK	CASH DIVIDEND/PAYMENT ON EFG SECURITY	2,215.00 3,215.00
08DEC14	08DEC14	M40124557	62	GLOB	DIRECT CREDIT INSTRUCTION NO.D42158512	3,215.00- 0.00
EXTENDED SESSION-CARRIED FORWARD BALANCE						0.00
BILLING A/C						
EXTENDED SESSION-BROUGHT FORWARD BALANCE						0.00
EXTENDED SESSION-CARRIED FORWARD BALANCE						0.00
MISCELLANEOUS A/C						
EXTENDED SESSION-BROUGHT FORWARD BALANCE						0.00

Separate Settlement Obligations for MAMK and SZMK with combined CPI payment shown under MAMK

Cash dividend of A-shares in MAMK and SZMK will be shown separately



Appendix 8: Enhanced screen of Enquire Money Position (SMEE)

Money Obligation for A-share Market			
Settled with Payment Instruction Generated on Previous Day	Receivable/Received Amount	Payable/Paid Amount	Net Amount
SI (A-share Market) - Dayend	0.00	0.00	0.00
STI (A-share Market)	0.00	0.00	0.00
Total :	0.00	0.00	0.00
Settled with CHATS Payment Instruction Generated on Current Day	Receivable/Received Amount	Payable/Paid Amount	Net Amount
CNS (A-share Market)	7,800.00	7,800.00-	0.00
Settled with Payment Generated on Current Day	Receivable/Received Amount	Payable/Paid Amount	Net Amount
SI (A-share Market) - Same Day Settlement (Evening)	0.00	0.00	0.00
SI (A-share Market) - Same Day Settlement (Night)	0.00	0.00	0.00
Settled with Payment Yet to Generate	Receivable/Received Amount	Payable/Paid Amount	Net Amount
CNS (A-share Market)	0.00	0.00	0.00
SI (A-share Market) - Same Day Settlement (Evening)	0.00	0.00	0.00
SI (A-share Market) - Same Day Settlement (Night)	0.00	0.00	0.00
SI (A-share Market) - Next Bank Day Settlement (Morning)	0.00	0.00	0.00
STI (A-share Market)	0.00	0.00	0.00
Total :	0.00	0.00	0.00
Unsettled Money Position for Current Day	Receivable/Received Amount	Payable/Paid Amount	Net Amount
CNS (A-share Market)	87,854,312,316.00	86,036,567,938.00-	1,817,744,378.00
SI (A-share Market)	0.00	0.00	0.00
STI (A-share Market)	0.00	0.00	0.00
Total :	87,854,312,316.00	86,036,567,938.00-	1,817,744,378.00

Separate broadcast messages will be generated upon posting of money obligation for Shanghai and Shenzhen markets respectively.



Appendix 9.1: Mainland Settlement Deposit Calculation Formula

Daily requirement

$$\left[\begin{array}{l} \text{Buy turnover in China} \\ \text{Connect Securities} \end{array} + \begin{array}{l} \text{Contract value of overdue} \\ \text{short positions in China} \\ \text{Connect Securities} \end{array} + \begin{array}{l} \text{Sell turnover in China Connect} \\ \text{Securities for Special} \\ \text{Segregated Accounts} \end{array} \right] \times \text{Settlement Deposit Rate}$$

Monthly requirement

$$\left[\frac{\begin{array}{l} \text{Sum of buy turnover and contract value of} \\ \text{overdue short positions in China Connect} \\ \text{Securities on each Trading day in the} \\ \text{previous month} \end{array}}{\begin{array}{l} \text{No. of Trading days having buy turnover in the} \\ \text{previous month} \end{array}} + \frac{\begin{array}{l} \text{Sum of sell turnover for Special} \\ \text{Segregated Accounts on each Trading} \\ \text{day in the previous month} \end{array}}{\begin{array}{l} \text{No. of Trading days having sell turnover} \\ \text{for Special Segregated Accounts in the} \\ \text{previous month} \end{array}} \right] \times \text{Settlement Deposit Rate}$$

Note: If there is no buy turnover in China Connect Securities on a Trading day, the contract value of any overdue short positions on that day is excluded from the “Sum of buy turnover and contract value of overdue short positions in China Connect Securities on each Trading day in the previous month”

Mainland Settlement Deposit requirement = Higher of daily requirement and monthly requirement

Appendix 9.2 Mainland Security Deposit Calculation Formula

Mainland Security Deposit requirement

Sum of daily net settlement amount in China
Connect Securities in the last 6 months

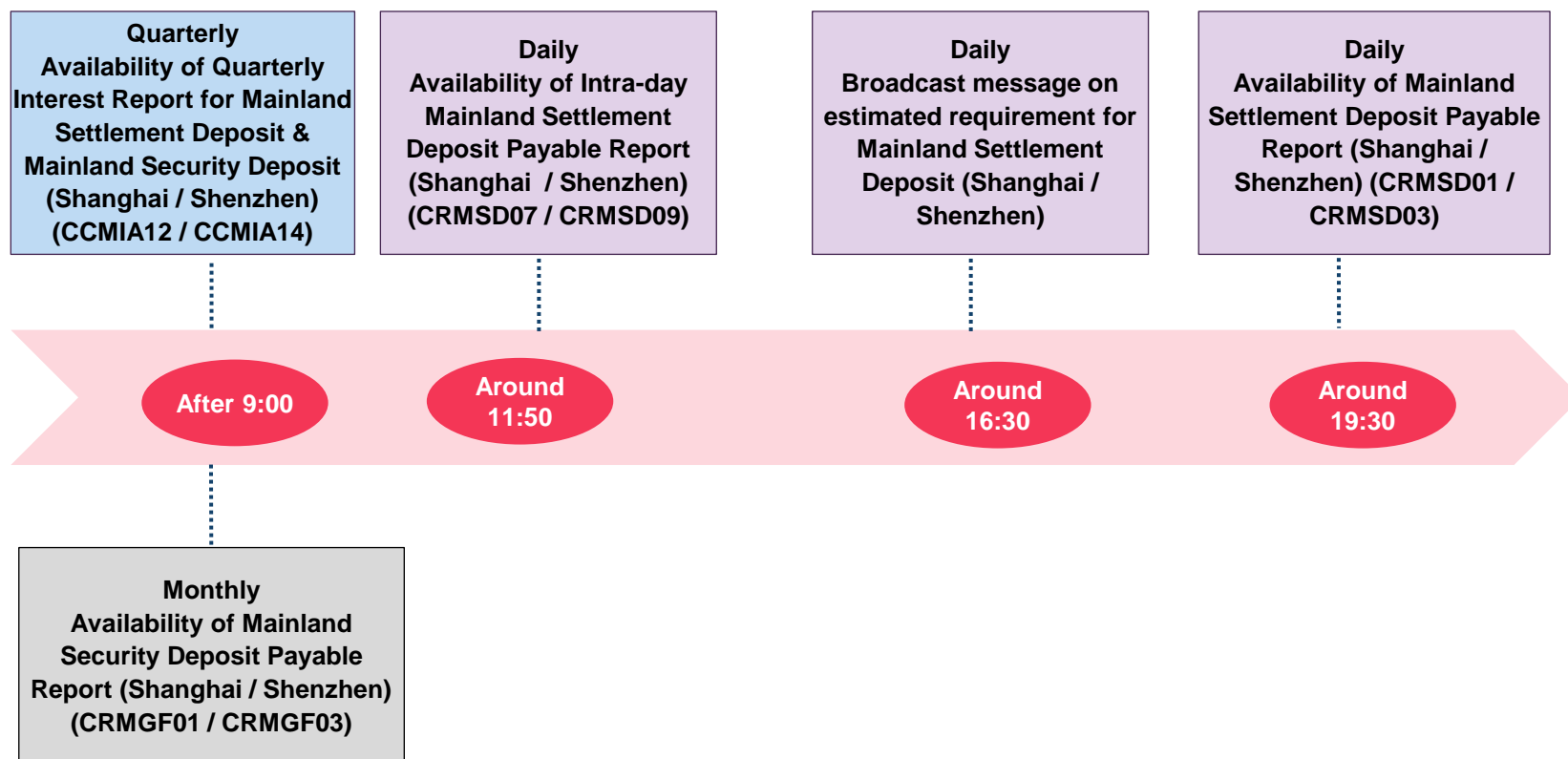
Number of days traded in China Connect
Securities by the China Connect Clearing
Participant in the last 6 months

X

Security
Deposit Rate



Appendix 9.3: Risk Management related Broadcast Messages and Reports Availability for Northbound Trades



Broadcast messages and reports for Shanghai and Shenzhen Northbound trades will be issued separately

Appendix 9.4: Risk Management Measures on Northbound Trades

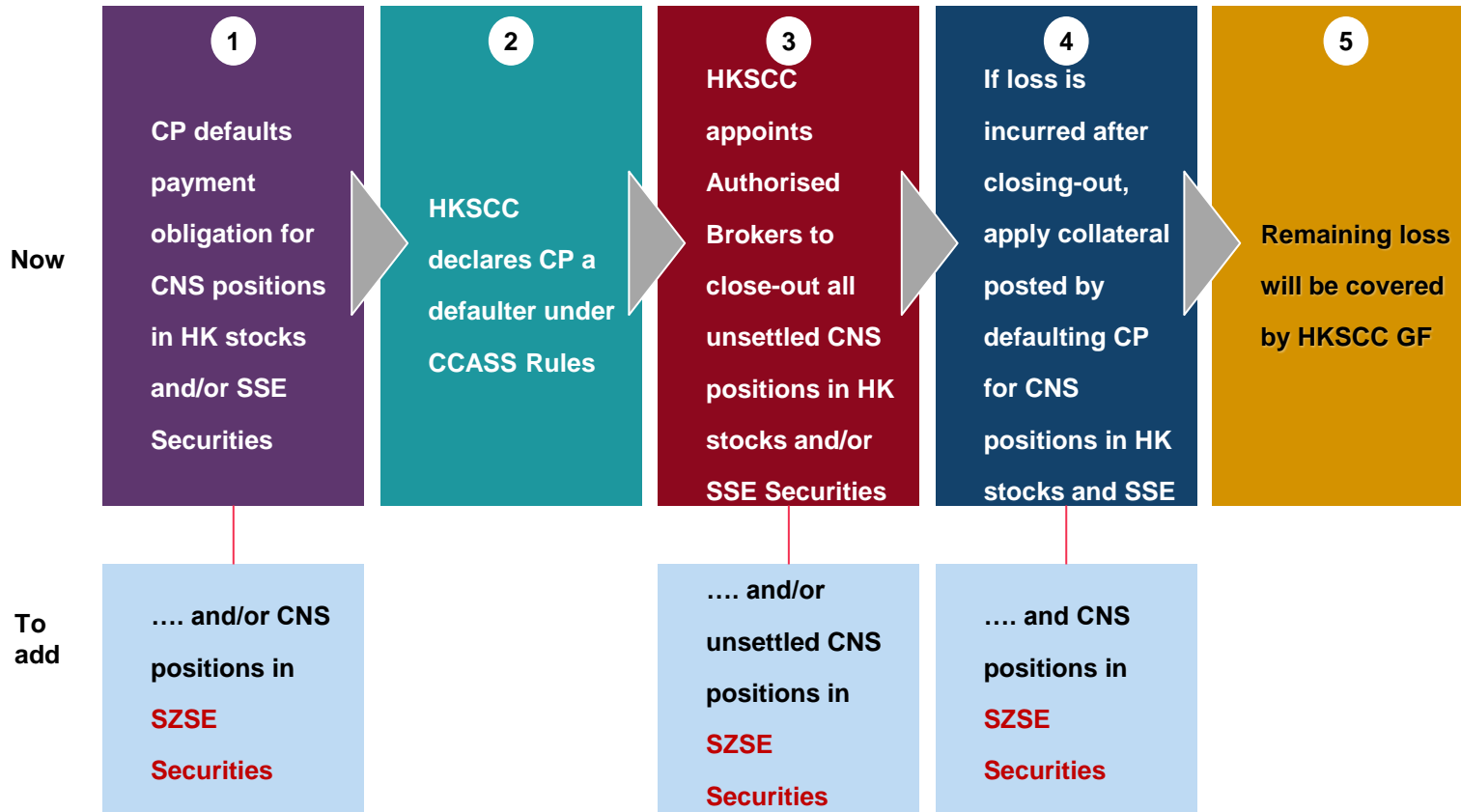
Interest on Northbound Collateral

	SSE Securities trades	SZSE Securities trades
Calculation	<ul style="list-style-type: none"> Interest will be calculated on a quarterly basis (follow ChinaClear's practice) for Shanghai and Shenzhen Northbound trades separately 	
Interest rate	<ul style="list-style-type: none"> Separate interest rates for Shanghai and Shenzhen Northbound trades Determine according to the actual interest amount received for Shanghai and Shenzhen Northbound trades respectively 	
Participant report	Quarterly Interest Report for Mainland Settlement Deposit and Mainland Security Deposit (Shanghai) (CCMIA12)	Quarterly Interest Report for Mainland Settlement Deposit and Mainland Security Deposit (Shenzhen) (CCMIA14)

Separate interest rates for Shanghai and Shenzhen Northbound trades



Appendix 9.5: Default Management (HKSCC CP Defaults)



All collateral posted by the defaulting CP, whether for its CNS positions of HK market, Shanghai or Shenzhen Northbound trades, will be viewed as a single pool to cover its default loss

Appendix 10: Institutional Professional Investor

“Institutional Professional Investor”, as defined under paragraph 15.2 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission –means a person falling under paragraphs (a) to (i) of the definition of “professional investors” in section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance, as set out below for reference:

- (a) any recognized exchange company, recognized clearing house, recognized exchange controller or recognized investor compensation company, or any person authorized to provide automated trading services under section 95(2) of this Ordinance;
- (b) any intermediary, or any other person carrying on the business of the provision of investment services and regulated under the law of any place outside Hong Kong;
- (c) any authorized financial institution, or any bank which is not an authorized financial institution but is regulated under the law of any place outside Hong Kong;
- (d) any insurer authorized under the Insurance Companies Ordinance (Cap 41), or any other person carrying on insurance business and regulated under the law of any place outside Hong Kong;
- (e) any scheme which-
 - (i) is a collective investment scheme authorized under section 104 of this Ordinance; or
 - (ii) is similarly constituted under the law of any place outside Hong Kong and, if it is regulated under the law of such place, is permitted to be operated under the law of such place, or any person by whom any such scheme is operated;
- (f) any registered scheme as defined in section 2(1) of the Mandatory Provident Fund Schemes Ordinance (Cap 485), or its constituent fund as defined in section 2 of the Mandatory Provident Fund Schemes (General) Regulation (Cap 485 sub. leg. A), or any person who, in relation to any such registered scheme, is an approved trustee or service provider as defined in section 2(1) of that Ordinance or who is an investment manager of any such registered scheme or constituent fund;



Appendix 10: Institutional Professional Investor (Cont'd)

(g) any scheme which

(i) is a registered scheme as defined in section 2(1) of the Occupational Retirement Schemes Ordinance (Cap 426); or

(ii) is an offshore scheme as defined in section 2(1) of that Ordinance and, if it is regulated under the law of the place in which it is domiciled, is permitted to be operated under the law of such place, or any person who, in relation to any such scheme, is an administrator as defined in section 2(1) of that Ordinance;

(h) any government (other than a municipal government authority), any institution which performs the functions of a central bank, or any multilateral agency;

(i) except for the purposes of Schedule 5 to this Ordinance, any corporation which is-

(i) a wholly owned subsidiary of-

(a) an intermediary, or any other person carrying on the business of the provision of investment services and regulated under the law of any place outside Hong Kong; or

(b) an authorized financial institution, or any bank which is not an authorized financial institution but is regulated under the law of any place outside Hong Kong;

(ii) a holding company which holds all the issued share capital of-

(a) an intermediary, or any other person carrying on the business of the provision of investment services and regulated under the law of any place outside Hong Kong; or

(b) an authorized financial institution, or any bank which is not an authorized financial institution but is regulated under the law of any place outside Hong Kong; or

(iii) any other wholly owned subsidiary of a holding company referred to in subparagraph (ii);

Appendix 11: Calculation of Market Capitalisation of Constituent Stocks of the Relevant Index

How is the market capitalisation of each constituent stock of the relevant index calculated to determine if the stock meets the minimum capitalisation requirement (RMB6B for Northbound and HK\$5B for Southbound) eligible for trading under Shenzhen-Hong Kong Stock Connect? (Subject to regulatory approval)

The calculation of the market capitalisation of a constituent stock for the purpose of determining its eligibility for trading under Shenzhen-Hong Kong Stock Connect will generally follow the same methodology and review period adopted by the compiler of the relevant index.

Methodology

Northbound Trading

Each constituent stock of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index:-

the average daily market capitalisation of the constituent stock in the 6 months prior to the periodic review of the relevant index; or

if the stock is listed within the 6 months prior to the periodic review of the relevant index, its average daily market capitalisation in the period since it was listed.

Southbound Trading

Each constituent stock of the Hang Seng Composite SmallCap Index:-

the average month-end market capitalisation of the constituent stock in the 12 months prior to the periodic review of the index; or

if the stock is listed within the 12 months prior to the periodic review of the index, its average month-end market capitalisation in the period since it was listed.



Appendix 11: Calculation of Market Capitalisation of Constituent Stocks of the Relevant Index

Review period applicable at launch of Shenzhen-Hong Kong Stock Connect

The market capitalisation calculation that will be adopted for determining the securities eligible for trading at the launch of Shenzhen-Hong Kong Stock Connect will be based on the latest index review of the respective indices.

Assuming the launch is before the end of 2016, the applicable 6-month period for calculating the market capitalization of a constituent stock of the SZSE Component Index or the SZSE Small/Mid Cap Innovation Index for Northbound Trading is from 1 November 2015 to 30 April 2016, both days inclusive.

For Southbound Trading, the applicable 12-month period for calculating the market capitalisation of a constituent stock of the Hang Seng Composite SmallCap Index is from 1 July 2015 to 30 June 2016, both days inclusive.

Review period applicable after launch of Shenzhen-Hong Kong Stock Connect

For ongoing review subsequent to the launch of Shenzhen-Hong Kong Stock Connect, the market capitalisation calculation will follow the periodic review of the relevant indices. The SZSE Component Index and the SZSE Small/Mid Cap Innovation Index for Northbound Trading and the Hang Seng Composite SmallCap Index for Southbound Trading are all reviewed half-yearly.

