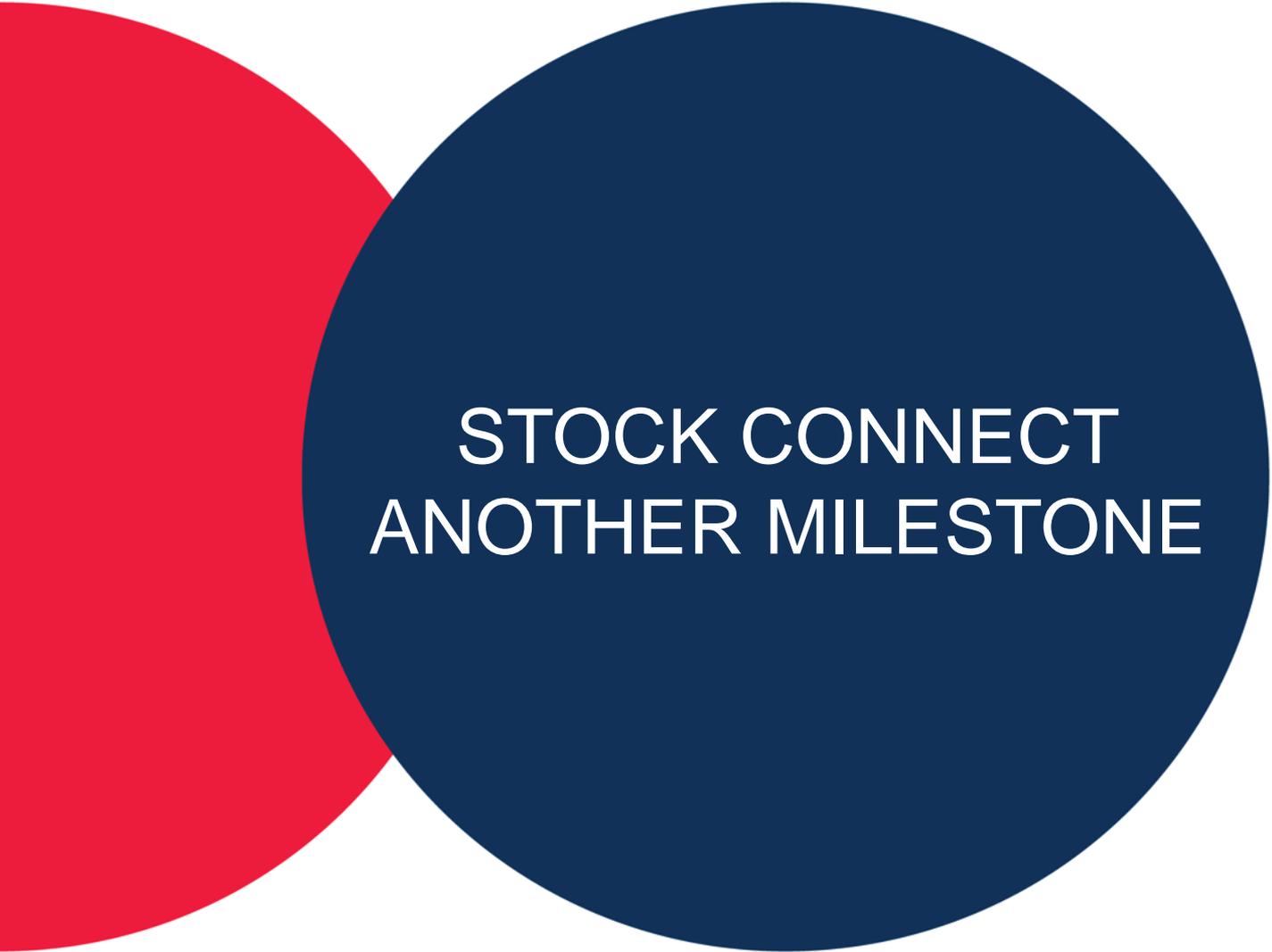


Date: 16 August 2016



STOCK CONNECT
ANOTHER MILESTONE



Charles Li
HKEX Chief Executive

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Agenda

1

Overview

2

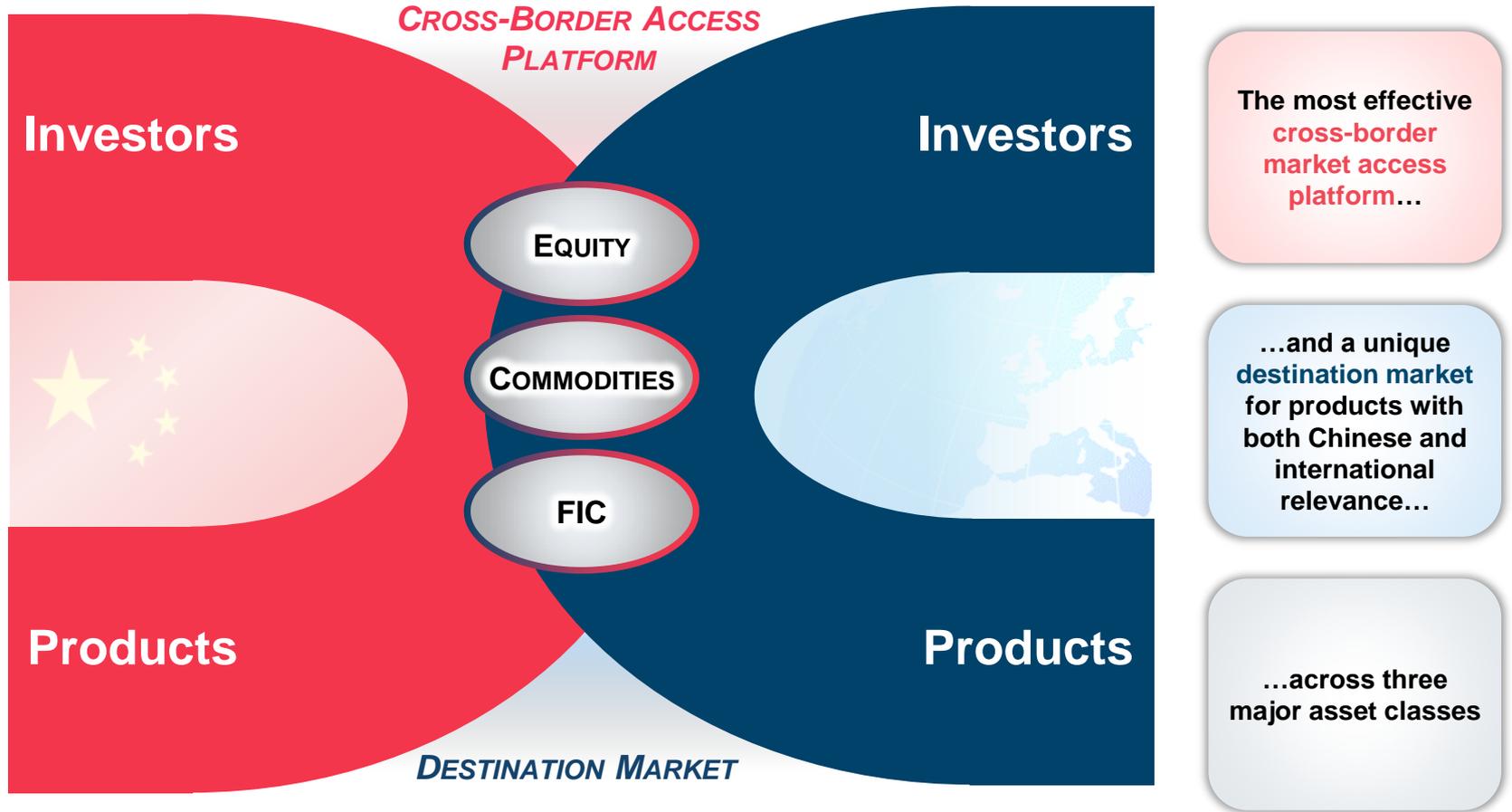
Key Features

3

Implementation Timetable



Expansion and Extension
Journey to a more Comprehensive Mutual Market



Connecting the markets, moving into the future



Overview

Estimated data as of end July 2016

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 HKD 5 bn¹ and SZSE-SEHK A+H shares to the existing eligible stocks
- ✓ **Daily Quota: RMB 10.5 bn**

Shanghai + Shenzhen

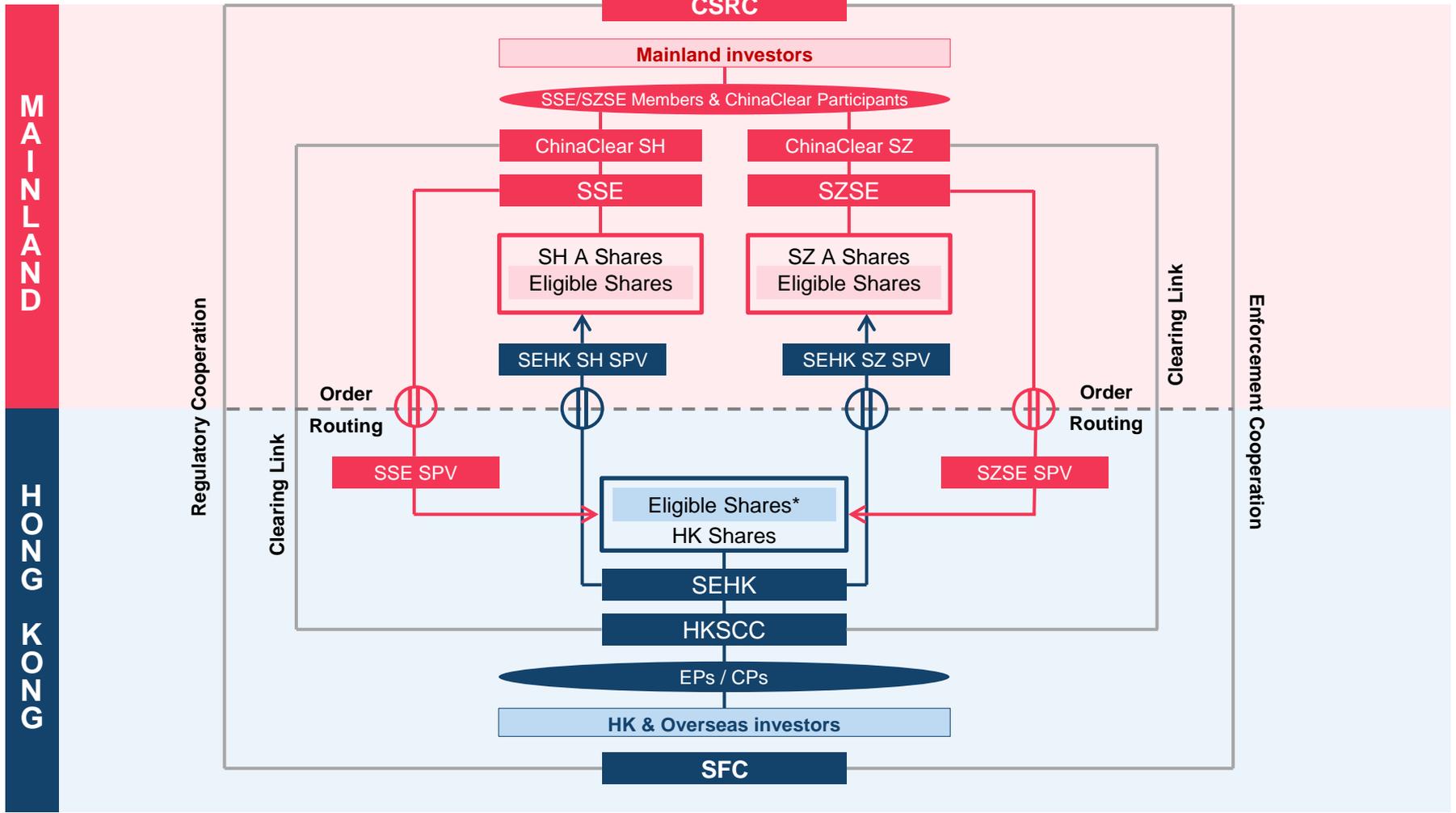
- ✓ **Aggregate Quota abolished**
- ✓ **ETFs to be included but roll-out planned in 2017**
- ✓ **SH Connect otherwise remains unchanged**

Launch of SZ-HK Connect is expected in ~4 months



1: For inclusion as eligible stocks, market capitalization of a company will be calculated based on its average market capitalization over certain preceding period prior to the Joint Announcement. Subject to regulatory approval, details will be announced prior to the launch of SZ-HK Stock Connect

Connect with Shanghai and Shenzhen



Enlarged and enhanced Connect ecosystem



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

Agenda

1

Overview

2

Key Features

3

Implementation Timetable



Key Features of Shanghai & Shenzhen Connect

Estimated data as of end July 2016

		Shanghai NB Connect		Shenzhen NB Connect		
NORTHBOUND	Eligible Stocks	No.	567 (One single board)	~880 ¹ (Main: ~270, SME: ~410, ChiNext: ~200)		
		Mkt Cap	RMB 21.8 tri (85%)	~RMB 15 tri (74%)		
		ADT	RMB 137 bn (68%)	~RMB 230 bn (68%)		
	Quota	Agg. Quota	Abolished	None		
		Dly. Quota	RMB 13 bn	RMB 13 bn		
	Investors	Eligibility	None	ChiNext participation limited to institutional professional investors initially ³		
			Shanghai SB Connect		Shenzhen SB Connect	
	SOUTHBOUND	Eligible Stocks	No.	318 (Hang Seng Composite LargeCap, MidCap & A+H shares not in indices)	~417 ² (Hang Seng Composite LargeCap, MidCap, SmallCap & A+H shares not in indices)	
			Mkt Cap	HKD 19.8 tri (82%)	~HKD 21 tri (87%)	
ADT			HKD 37 bn (85%)	~HKD 39 bn (92%)		
Quota		Agg. Quota	Abolished	None		
		Dly. Quota	RMB 10.5 bn	RMB 10.5 bn		
Investors		Eligibility	RMB 500k	RMB 500k		



- SZ Northbound:** Constituents of SZSE Component & SZSE Small/Mid Cap Innovation indexes with market capitalization of at least RMB 6 bn, and SZSE-SEHK A+H shares (except shares under "risk alert" or delisting arrangement)
- SZ Southbound:** Constituents of Hang Seng Large & MidCap indexes, constituents of Hang Seng SmallCap index with market capitalization of at least HKD 5 bn, and SSE-SEHK and SZSE-SEHK A+H shares
- Subject to resolution of related regulatory issues, other investors can trade ChiNext stocks listed on Shenzhen Stock Exchange

Key Features of Shanghai & 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 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

Same Applicable Fees

SZ Northbound

- **Same fees as SH Northbound trading**
(covering handling fee, securities management fee, transfer fee, portfolio fee & stamp duty)
- **Current PRC tax policies applicable to SH NB Connect regarding capital gains tax, dividend tax, stamp duty and value-added tax shall also apply to SZ NB Connect**
(subject to further regulatory announcement)

SZ Southbound

- **Same fees as SH Southbound trading**
(covering trading fee, trading tariff, transaction levy, stamp duty, stock settlement fee and portfolio fee)



Existing SH Southbound Market Data promotion programme will be extended to SZ Southbound Connect

SOUTHBOUND	Open Websites/ Mobile Apps	✓ Free snapshot nominal / last traded prices of all securities on 19 websites / mobile apps
	SSE/SZSE Trading Platforms	✓ Free 1-depth data covering all eligible stocks available to all trading clients of all 96 SSE & SZSE members who joined Stock Connect
	Southbound Broker Platforms	✓ Free 5-depth data covering all eligible stocks available to clients of 15 key SSE & SZSE members that have subscribed SB data package from HKEX at fixed fees ✓ Real-time 10-depth data of all securities via SSE's Cloud Service
	Information Vendors' Services	✓ Subscription of market data services from information vendors

Major Mainland websites (* with mobile app)									
Baidu China	*East Money	Guosen Sec	*Hexin Flush	*Shanghai DZH	*Shanghai Wind	*Sina	*Sinolink Sec	Snowball Beijing	*Tencent
SSE / SZSE Members subscribed for Fixed Fee Services									
Chanjiang Sec	China Galaxy	China Investment	China Merchants	China Sec	Dongxing Sec	Founder Sec	GF Sec	Guosen Sec	Guotai Junan
Haitong Sec	Huatai Sec	Orient Sec	Ping An Sec	Shenwan Hongyuan					
Major Mainland Information Vendors									
Ant Wealth	Beijing Baidu	Beijing Xiang Shang Rong	East Money	Hexin Flush	Shanghai E Money	Hundshun Juyuan	Shanghai DZH	Shanghai Qianlong	Shenzhen GTA
Sina	Snowball (Beijing)	SSE Infonet	Taojinzhe	TDX	Tencent	Wind	Up Wealth		

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



Agenda

1

Overview

2

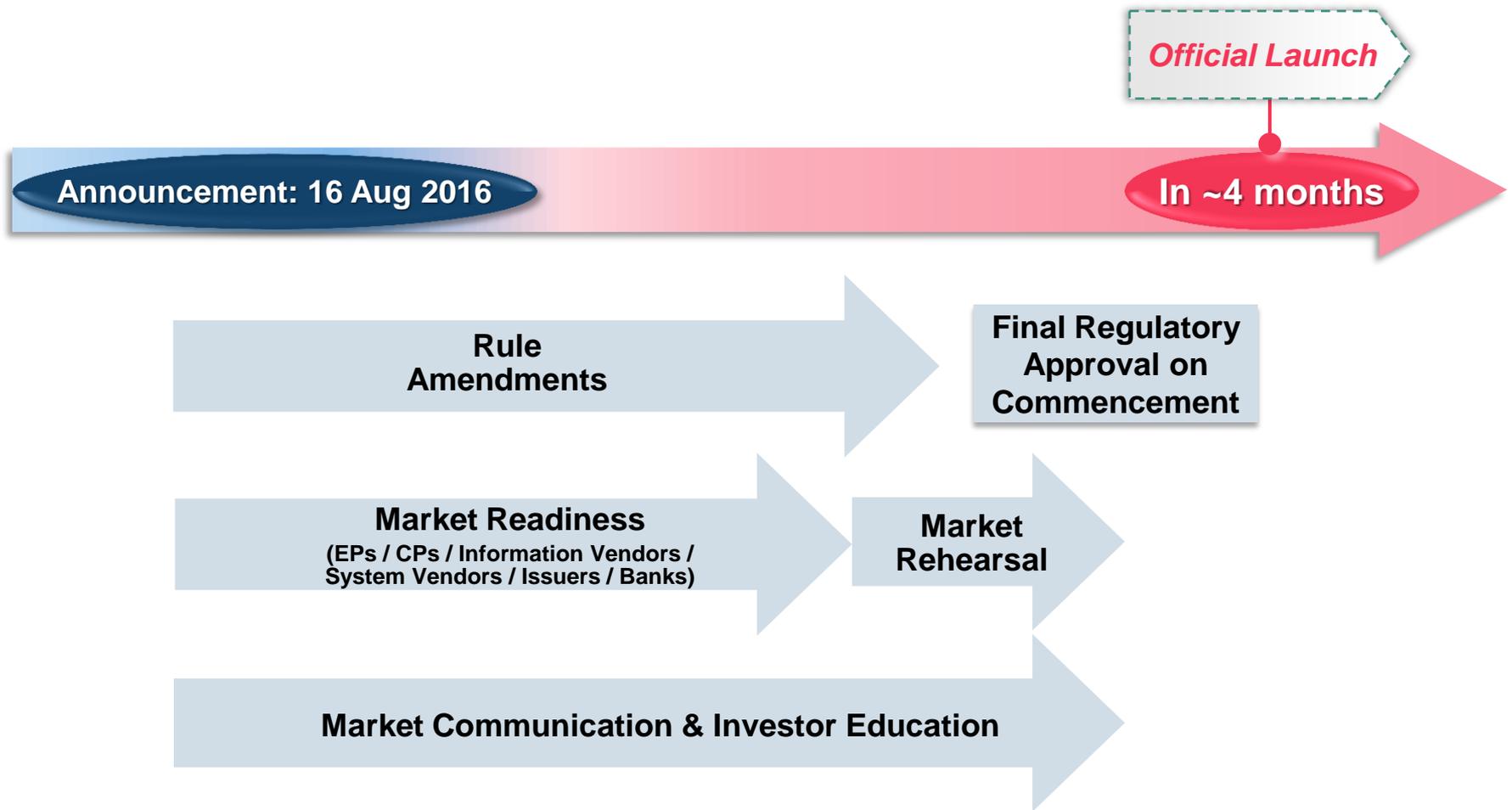
Key Features

3

Implementation Timetable



High-level Implementation Timetable



It should take approximately 4 months to complete the preparation for formal launch



More Information on the Website

Visit the Mutual Market Web Corner at:

www.hkex.com.hk/chinaconnect

