

香港聯合交易所有限公司
(香港交易及結算所有限公司全資附屬公司)
The Stock Exchange of Hong Kong Limited
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

事項

Subject: **PROPOSED KEY FEATURES OF SHANGHAI-HONG KONG STOCK CONNECT**

查詢

Enquiry: **Participant General Enquiry Hotline (Tel: 2840 3626)**

Exchange Participants are referred to the Joint Announcement issued by the SFC and the CSRC on 10 April 2014 regarding the in-principle approval for the development of the Pilot Programme (Shanghai-Hong Kong Stock Connect) for the establishment of mutual stock market access between Mainland China and Hong Kong. Reference is also made to the announcement of HKEx on 10 April 2014 confirming that SEHK and HKSCC were continuing discussions with SSE and ChinaClear regarding the establishment of mutual market connectivity initiatives in the form of the Trading Links and the Clearing Links centering on the principles set out in the Joint Announcement.

Pending the signing of the Four-party Agreement (which will be the subject of an announcement by HKEx in accordance with the SFO and the Listing Rules), the Parties have agreed, after having consulted the SFC and the CSRC, that this circular setting out the proposed key features of the Pilot Programme as set out in the Joint Announcement and contemplated by the Parties, be issued by SEHK and HKSCC as the exchange and the clearing house operators respectively, to facilitate market understanding of and readiness for the implementation of the Pilot Programme.

Key Features of Shanghai-Hong Kong Stock Connect

1. The Trading Links

(1) Establishment of the order-routing arrangements

Subject to Applicable Law, SSE, the SSE Subsidiary, SEHK and the SEHK Subsidiary will enter into an agreement to establish (i) an order-routing arrangement to enable Northbound Investors to trade in SSE Securities on SSE through the SEHK Subsidiary by placing orders with Exchange Participants; and (ii) an order-routing arrangement to enable Southbound Investors to trade in SEHK Securities on SEHK through the SSE Subsidiary by placing orders with SSE Members.

To facilitate and enable the operation of the Northbound Trading Link, SEHK will (subject to obtaining all necessary Approvals) establish a wholly-owned subsidiary in Shanghai to receive orders to trade in SSE Securities from Exchange Participants, and route them onto SSE's trading platform for execution on SSE. The SEHK Subsidiary will apply for a licence under the Applicable Law of Mainland China and admission as a non-member trading participant of SSE for carrying on its activities in Mainland China. It will also apply for authorisation under the SFO as an ATS Provider for carrying on its activities in Hong Kong. SEHK will also apply for any approval for its activities in connection with the Southbound Trading Link, as may be required by the CSRC.

To facilitate and enable the operation of the Southbound Trading Link, SSE will (subject to obtaining all necessary Approvals), through its Hong Kong-incorporated subsidiary, receive orders to trade in SEHK Securities from SSE Members, and route them onto SEHK's trading platform for execution on SEHK. The SSE Subsidiary will apply for authorisation under the SFO as an ATS Provider and admission as a special exchange participant of SEHK for carrying on its activities in Hong Kong. SSE will also apply for authorisation as an ATS Provider for carrying out its activities in connection with the Northbound Trading Link, as may be required by the SFC.

(2) Shares eligible to be traded through the Northbound Trading Link

- (i) SSE will accept as SSE Securities for trading by Northbound Investors all the constituent stocks of the SSE 180 Index and SSE 380 Index, and all the SSE-listed Shares that are not included as constituent stocks of the SSE 180 and 380 Indices but which have corresponding shares accepted for listing and trading on SEHK, except that the following will not be accepted as SSE Securities upon the launch of operation of Shanghai-Hong Kong Stock Connect:
 - (a) SSE-listed Shares which are not traded in RMB; and
 - (b) SSE-listed Shares which are under "risk alert".
- (ii) Any SSE-listed Share which is not accepted as an SSE Security upon the launch of operation of Shanghai-Hong Kong Stock Connect due to its being under "risk alert" will be accepted as such if it subsequently ceases to be under "risk alert", provided that it remains as a constituent stock of the relevant indices or if its corresponding H Share continues to be traded on SEHK (as appropriate).
- (iii) Where any SSE Security subsequently ceases to be a constituent stock of the relevant indices, and/or where the corresponding H Share of any SSE Security subsequently ceases to be traded on SEHK, and/or where any SSE Security is subsequently under "risk alert" (as the case may be), only sale orders (but not buy orders) from Northbound Investors will be allowed.

(3) Shares eligible to be traded through the Southbound Trading Link

- (i) SEHK will accept as SEHK Securities for trading by Southbound Investors all the constituent stocks of the Hang Seng Composite LargeCap Index and Hang Seng Composite MidCap Index, and all the H Shares that are not included as constituent stocks of the relevant indices but which have corresponding shares in the form of SSE-listed Shares, except that the following will not be accepted as SEHK Securities:
 - (a) Hong Kong Shares that are not traded in HKD; and
 - (b) H Shares which have corresponding shares traded on any exchange in Mainland China other than SSE.
- (ii) Where any SEHK Security subsequently ceases to be a constituent stock of the relevant indices, and/or where its corresponding SSE-listed Share ceases to be traded on SSE, and/or where the shares of any issuer of H Shares that have been accepted as SEHK Securities are subsequently listed on an exchange in Mainland China other than SSE (as the case may be), only sale orders (but not buy orders) from Southbound Investors will be allowed.

(4) Changes in the scope of shares eligible for trading through the Trading Links

The scope of the SSE Securities and the SEHK Securities may be amended as agreed by SSE and SEHK after consulting each other and after obtaining the consent of the relevant regulatory bodies.

(5) Eligible investors

Exchange Participants and their clients will be accepted as Northbound Investors. As set out in the Joint Announcement, institutional investors and those individual investors who hold an aggregate balance of not less than RMB500,000 in their securities and cash accounts will be accepted as Southbound Investors.

(6) Eligible exchange participants

Exchange Participants who satisfy such information technology capability, risk management and other requirements as may be specified by SEHK will be accepted to trade through the Northbound Trading Link; and SSE Members who satisfy such information technology capability, risk management and other requirements as may be specified by SSE will be accepted to trade through the Southbound Trading Link.

(7) Applicable trading currencies

Northbound Investors will trade SSE Securities and settle the trades in RMB only; and Southbound Investors will trade SEHK Securities quoted in HKD only and shall settle the trades with ChinaClear or its clearing participants in RMB.

(8) Applicable rules

All orders submitted to or executed on SSE through the Northbound Trading Link will be subject to the rules and procedures of SSE and the Applicable Law of Mainland China; and all orders submitted to or executed on SEHK through the Southbound Trading Link will be subject to the rules and procedures of SEHK and the Applicable Law of Hong Kong.

2. The Clearing Links

(1) Establishment of the clearing and settlement arrangements and other related arrangements

Subject to Applicable Law, ChinaClear and HKSCC will enter into an agreement to establish:

- (i) clearing and settlement arrangements for the purpose of clearing and settling trades executed on SSE through the Northbound Trading Link, and on SEHK through the Southbound Trading Link;
- (ii) arrangements for providing registration, depository and nominee services for Northbound Investors in respect of SSE Securities, and for providing depository and nominee services for Southbound Investors in respect of SEHK Securities; and
- (iii) arrangements for the provision of other services as ChinaClear and HKSCC may agree.

To facilitate and enable the operation of the Clearing Links, HKSCC will apply for a licence under the Applicable Law of Mainland China as may be required by the CSRC and for admission as a clearing participant of ChinaClear, and will take on the responsibility for clearing and settling all trades executed through the Northbound Trading Link with ChinaClear in RMB.

To facilitate and enable the operation of the Northbound Clearing Link, ChinaClear will apply for authorisation under the SFO as an ATS Provider. ChinaClear will also apply for admission as a clearing agency participant of HKSCC and will take on the responsibility for clearing and settling all trades executed through the Southbound Trading Link with HKSCC in HKD.

(2) Eligible clearing participants

Direct Clearing Participants and General Clearing Participants of HKSCC who satisfy such information technology capability, risk management and other requirements as may be specified by HKSCC will be permitted to participate in the Northbound Clearing Link. Clearing participants of ChinaClear who satisfy such information technology capability, risk management and other requirements as may be specified by ChinaClear will be permitted to participate in the Southbound Clearing Link.

(3) Applicable rules

All trades executed through the Northbound Trading Link will, similar to the existing clearing and settlement arrangements for trades on SSE-listed Shares, be cleared and settled by ChinaClear in accordance with its rules and procedures. All trades executed through the Southbound Trading Link will, similar to the existing clearing and settlement arrangements for trades on Hong Kong Shares, be cleared and settled by HKSCC in accordance with its rules and procedures. As between ChinaClear and HKSCC, the clearing, settlement, depository, nominee and risk management arrangements applicable to the Clearing Links will be further governed by an agreement to be entered into between them.

3. Quotas

As set out in the Joint Announcement, in the initial phase of operation of Shanghai-Hong Kong Stock Connect, the Northbound Trading Link will be subject to a daily quota of RMB13 billion and an aggregate quota of RMB300 billion and the Southbound Trading Link will be subject to a daily quota of RMB10.5 billion and an aggregate quota of RMB250 billion. Quotas may be adjusted in the future.

4. Operational Documents and Rule Amendments

The Parties, together with the SSE Subsidiary and the SEHK Subsidiary, will negotiate certain operational agreements to deal with the matters relating to the Trading Links and the Clearing Links. These matters include quota controls, trading arrangements, revenue sharing, cross-boundary cash transfers, connection between the Parties' information technology systems, information exchange for regulatory, surveillance or rule enforcement functions, market surveillance, market education and suspension and termination of trading.

As the arrangements to give effect to the Trading Links and the Clearing Links will require changes to be made to the Parties' respective rules and procedures, the Parties will consult each other and obtain the necessary Approvals in relation to such amendments, and will endeavour to minimise the impact and burden of any amendments on existing and prospective securities issuers or exchange or clearing members or participants who may not participate in Shanghai-Hong Kong Stock Connect in their respective markets.

5. Conditions

Subject to the signing of the Four-party Agreement between the Parties, implementation of the arrangements for and the establishment of Shanghai-Hong Kong Stock Connect are conditional on:

- (i) all necessary Approvals having been granted;
- (ii) all Applicable Law necessary for implementation of the arrangements set out in or contemplated by the Four-party Agreement having been made or amended and become effective; and
- (iii) the Operational Documents having been executed and become effective.

The implementation of the Trading Links and implementation of the Clearing Links are inter-conditional.

6. Further information

In order to participate in the Northbound Trading Link and the Northbound Clearing Link of the Shanghai-Hong Kong Stock Connect, participants of SEHK and HKSCC will be required to submit an application for approval by the SEHK and the HKSCC and to comply with certain system and operational requirements to be specified by the SEHK and the HKSCC. Participants will also be asked to take part in one or more market rehearsals or technical tests in order to ensure that they are operationally ready to participate in Shanghai-Hong Kong Stock Connect.

In this connection, seminars will be organised to provide Exchange Participants with more information on the proposed arrangements for the Shanghai-Hong Kong Stock Connect, with details as follows:

| | Dates |
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| Seminar for business and operations staff of Exchange Participants | May 5, 7, 9, 12, 13, 15 and 16 |
| Seminar for technical staff of Exchange Participants | May 12, 13, 21 and 22 |

To enrol for these seminars, Exchange Participants are requested to complete and return the Contact Person Registration List and Enrolment Form ([Attachment 1](#)) to SEHK on or before 5 May 2014.

To enable Exchange Participants to better assess their resources and readiness and to plan for participation in Shanghai-Hong Kong Stock Connect, Exchange Participants are requested to complete and return the Form of Indication of Interest ([Attachment 2](#)) to SEHK on or before 30 May 2014.

Please send any enquiries relating to the trading arrangements on Shanghai-Hong Kong Stock Connect by email to trd@hkex.com.hk and any enquiries relating to the clearing and settlement arrangements on Shanghai-Hong Kong Stock Connect by email to clg@hkex.com.hk. Other supplemental materials regarding Shanghai-Hong Kong Stock Connect are available on the HKEX website at <http://www.hkex.com.hk/chinaconnect>.

7. Expected Timeline

Implementation of the arrangements for the establishment of Shanghai-Hong Kong Stock Connect is subject to the signing of the Four-party Agreement and satisfaction of the Conditions. Satisfaction of the Conditions will be dependent on various factors. Launch of Shanghai-Hong Kong Stock Connect will only take place once relevant trading and clearing rules and systems have been finalised, all regulatory approvals have been granted, and market participants have had sufficient opportunity to configure and adapt their operational and technical systems. All necessary investor education programmes must also be in place. As noted in the Joint Announcement, it is expected that it should take approximately six months to complete the preparation for the formal launch of Shanghai-Hong Kong Stock Connect. Similarly, it is also expected that it will take approximately the same time for all the Conditions to be satisfied.

The final list of shares eligible for trading and clearing through the Trading Links and the Clearing Links and details on quota controls will be published prior to the launch of Shanghai-Hong Kong Stock Connect.

It should be noted that while discussions are continuing between the Parties, no formal agreement has been entered into at this stage. Implementation of arrangements for the establishment of Shanghai-Hong Kong Stock Connect will be subject to the satisfaction of the Conditions, including all necessary regulatory approvals having been obtained by the Parties. Accordingly, investors and all interested persons are reminded to exercise caution when dealing in HKEx securities and any eligible shares referred to in the Joint Announcement.

Definitions

In this circular, the following expressions have the meanings set out below unless the context otherwise requires:

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| “Applicable Law” | in relation to an entity or a person, the laws and regulations applicable to such entity or person from time to time, including any laws of Mainland China and Hong Kong, administrative regulations and judicial interpretations, and any departmental regulations and other regulatory documents promulgated by relevant governmental or regulatory bodies, as well as the rules and requirements of any exchange or clearing house. The aforesaid governmental or regulatory bodies include but are not limited to the CSRC, the People’s Bank of China, the State Administration of Foreign Exchange, the SFC and the Hong Kong Monetary Authority; |
| “Approvals” | any and all consents, approvals, licences, authorisations and/or permissions, and/or waivers from complying with any requirement under Applicable Law, whether to be given by a governmental or regulatory body or otherwise; |
| “ATS Provider” | an entity authorised under Part III of the SFO to provide automated trading services and is regulated as such; |
| “ChinaClear” | China Securities Depository and Clearing Corporation Limited; |
| “Clearing Links” | the Northbound Clearing Link and the Southbound Clearing Link; |
| “Conditions” | the conditions precedent described in paragraph 5 (Conditions) of this circular; |
| “CSRC” | the China Securities Regulatory Commission; |
| “Direct Clearing Participant” | has the same meaning as defined in the General Rules of CCASS; |
| “Exchange Participants” | has the same meaning as defined in the Rules of SEHK; |
| “Four-party Agreement” | the agreement relating to the establishment of Shanghai-Hong Kong Stock Connect to be entered into between the Parties; |
| “General Clearing Participant” | has the same meaning as defined in the General Rules of CCASS; |
| “HKD” | Hong Kong dollar; |
| “HKEx” | Hong Kong Exchanges and Clearing Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of SEHK; |

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| “HKSCC” | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of HKEx and a clearing house recognised by the SFC; |
| “Hong Kong” | Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Hong Kong Shares” | the shares which are from time to time accepted for listing and admitted to trading on SEHK; |
| “H Shares” | the shares of Mainland China-incorporated companies which are from time to time accepted for listing and admitted to trading on SEHK; |
| “Joint Announcement” | the announcement jointly issued by the SFC and CSRC on 10 April 2014 regarding the in-principle approval of the development of the Pilot Programme; |
| “Listing Rules” | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; |
| “Mainland China” | the People’s Republic of China other than Hong Kong, the Macau Special Administrative Region and Taiwan; |
| “Northbound Clearing Link” | the arrangements for the clearing and settlement of trades executed through the Northbound Trading Link and the provision of registration, depository, nominee and other related services to Northbound Investors; |
| “Northbound Investors” | any Exchange Participants or their clients accepted by SEHK to trade in SSE Securities through the Northbound Trading Link, as described in paragraph 1(5) (Eligible investors) of this circular; |
| “Northbound Trading Link” | the order-routing arrangement provided by the SEHK Subsidiary to enable Northbound Investors to trade in SSE Securities; |
| “Operational Documents” | the legal and other formal documentation to be entered into by any of the Parties to implement the arrangements envisaged in the Four-party Agreement, and an “Operational Document” shall be construed accordingly; |
| “Party(ies)” | SSE, SEHK, ChinaClear and HKSCC as party(ies) to the Four-party Agreement or any of them; |
| “Pilot Programme” | the pilot programme for establishing mutual stock market access between Mainland China and Hong Kong referred to in the Joint Announcement; |
| “RMB” | Renminbi; |

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| “SEHK” | The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of HKEx and an exchange company recognised by the SFC ; |
| “SEHK Security(ies)” | any share(s) which SEHK (after consulting SSE) accepts as eligible for trading on SEHK by Southbound Investors through the Southbound Trading Link, as described in paragraph 1(3) (Shares eligible to be traded through the Southbound Trading Link) of this circular; |
| “SEHK Subsidiary” | the company to be established by SEHK for carrying out the Northbound Trading Link activities; |
| “SFC” | the Securities and Futures Commission; |
| “SFO” | Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong; |
| “Shanghai-Hong Kong Stock Connect” | the Trading Links and the Clearing Links; |
| “Southbound Clearing Link” | the arrangements for the clearing and settlement of trades executed through the Southbound Trading Link and the provision of depository, nominee and other related services to Southbound Investors; |
| “Southbound Investors” | institutional and individual investors accepted by SSE to trade in SEHK Securities through the Southbound Trading Link, as described in paragraph 1(5) (Eligible investors) of this circular; |
| “Southbound Trading Link” | the order-routing arrangement provided by the SSE Subsidiary to enable Southbound Investors to trade in SEHK Securities; |
| “SSE” | the Shanghai Stock Exchange; |
| “SSE-listed Shares” | shares which are from time to time accepted for listing and admitted to trading on SSE; |
| “SSE Members” | any entities which are qualified as ordinary members of SSE; |
| “SSE Security(ies)” | any share(s) which SSE (after consulting SEHK) accepts as eligible for trading on SSE by Northbound Investors through the Northbound Trading Link, as described in paragraph 1(2) (Shares eligible to be traded through the Northbound Trading Link) of this circular; |
| “SSE Subsidiary” | a subsidiary company of SSE which carries out the Southbound Trading Link activities; |
| “Trading Links” | the Northbound Trading Link and the Southbound Trading Link; and |

“under “risk alert””

in relation to SSE-listed Shares, means those SSE-listed Shares which are, at the relevant time, included in the “risk alert board”¹ maintained by SSE.

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¹ According to the SSE Listing Rules, any SSE-listed company which is in the delisting process, or which operation is unstable due to financial or other reasons, to the extent that it is running the risk of being delisted or exposing investors’ interest to undue damage, the SSE-listed company will be earmarked and traded on the “risk alert board”. For details, please refer to the SSE Listing Rules at http://www.sse.com.cn/lawandrules/sserules/listing/stock/c/c_20131230_3760420.pdf, and SSE Risk Alert Board Provisional Trading Arrangement at http://www.sse.com.cn/lawandrules/sserules/trading/stock/c/c_20121217_3669125.shtml