

A white wireframe graphic of a tall, tiered tower, resembling the Oriental Pearl Tower, is positioned on the left side of the slide. The background is a gradient of red and orange with light streaks.

# Shanghai-Hong Kong Stock Connect

2015.01.07

# The launch of Stock Connect further expands the cross-border RMB investment channel

Shanghai-Hong Kong Stock Connect officially launched on 17 Nov 2014, enabling investors in their respective markets to trade designated equity securities listed in the other's market through local securities firms or brokers

## Northbound Trading



RMB / other currencies



Banks / Brokers in HK

RMB



Stock Exchange of Hong Kong

RMB



Shanghai Stock Exchange

- Hong Kong investors
- Overseas investors

- Investment quota :
- Aggregate quota: RMB300bn
  - Daily quota: RMB13bn

- Eligible securities:
- Constituent stocks of SSE 180 Index & SSE 380 Index
  - A+H shares

## Southbound Trading



RMB



Securities firms in Mainland China

RMB



Shanghai Stock Exchange

HKD



Stock Exchange of Hong Kong

- Mainland China investors
- Institutional investors
  - Individual investors (Holding a balance of not less than RMB 500,000 in their securities & cash accounts)

- Investment quota :
- Aggregate quota: RMB250bn
  - Daily quota: RMB10.5bn

- Eligible securities:
- Constituent stocks of the Hang Seng Composite LargeCap Index & Hang Seng Composite MidCap Index,
  - A+H shares

## ▶ Key features of SH-HK Stock Connect

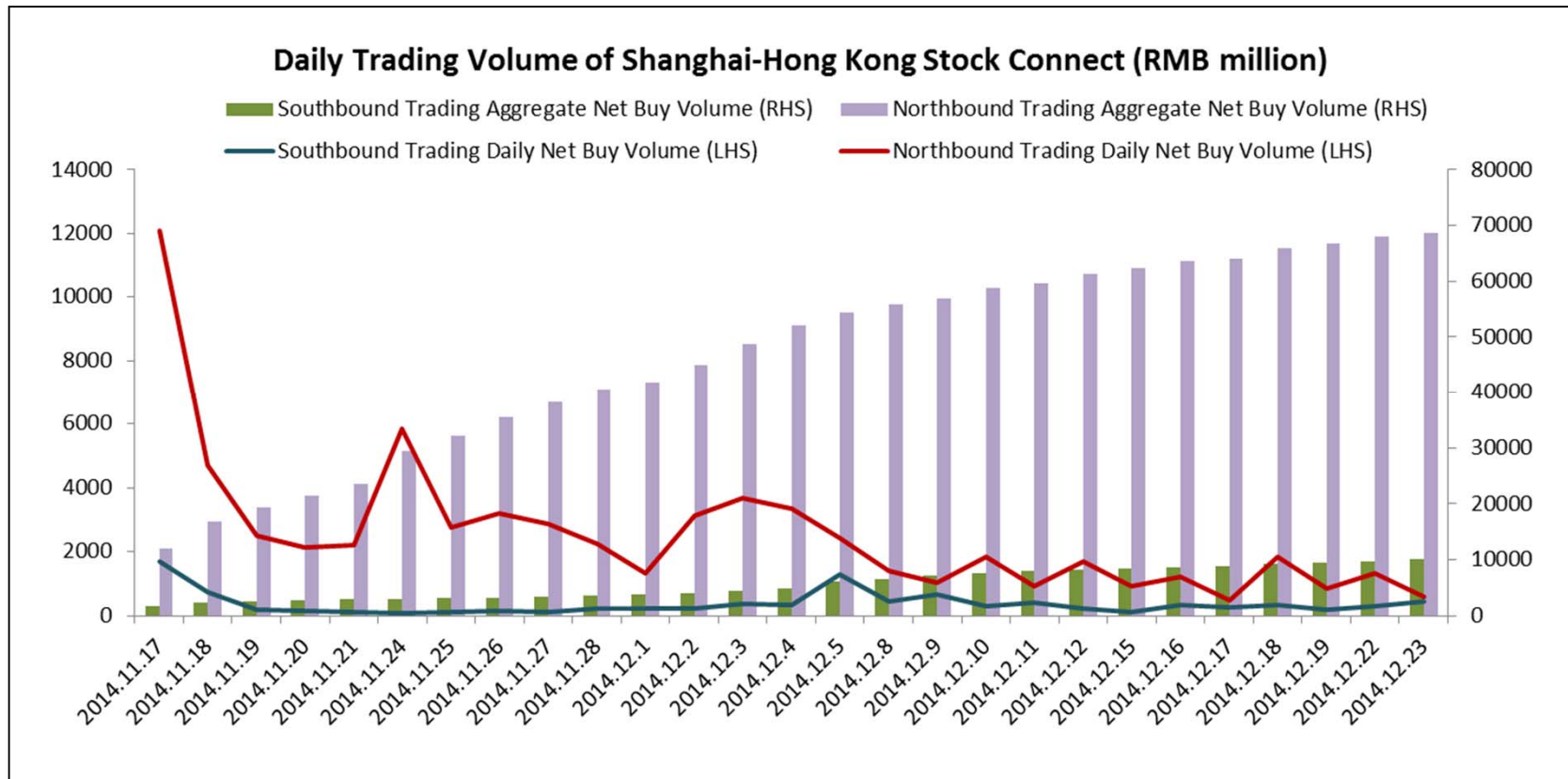
		Northbound Trading	Southbound Trading
<b>Eligible Securities</b>	Index Constituents	<ul style="list-style-type: none"> <li>• SSE180</li> <li>• SSE380</li> </ul>	<ul style="list-style-type: none"> <li>• Hang Seng Composite LargeCap Index</li> <li>• Hang Seng Composite MidCap Index</li> </ul>
	Dual-listed Stocks	A+H shares both listed on SEHK and SSE	A+H shares both listed on SEHK and SSE
	Excluding	<ul style="list-style-type: none"> <li>• Shares on risk alert board</li> <li>• Shares not traded in RMB</li> </ul>	<ul style="list-style-type: none"> <li>• Stocks not traded in HKD</li> <li>• H shares which have corresponding shares listed and traded on an exchange in Mainland China other than SSE;</li> <li>• H shares which have corresponding A shares put under “risk alert”</li> </ul>
	Total number	568	266
	Market cap (% of all shares)	90%	82%
	Average daily turnover (% of all shares)	80%	78%
<b>Eligible Investors</b>	Institutional	All HK and overseas investors	All Mainland institutional investors
	Individual	All HK and overseas investors	Eligible Mainland individual investors (Holding a balance of not less than RMB 500,000 in their securities & cash accounts)
<b>Investment Quota</b>	Aggregate quota	RMB300 billion	RMB250 billion
	Daily quota	RMB13 billion	RMB10.5 billion

## ▶ Comparing Stock Connect with QFII / QDII / RQFII

	Stock Connect	QFII / QDII / RQFII
Business entity	Stock exchange of HK and SH	Financial institutions such as banks, asset management companies etc.
Investment direction	Both directions	Single direction
Currency	RMB	HKD/USD/RMB
Quota	First-come, first-served Equal opportunities	Depends on allocation of quota to each institutions
Lock up period	No restrictions	QFII: 3-month, RQFII: 1-year Subject to exchange rate risk and may increase cost
Cross-border fund management	Funds must return to origin after selling the shares	Funds can stay in the local markets for trading
Choice of investment	<b>Direct investment:</b> Free to choose stocks for investment	<b>Indirect investment:</b> Investment decisions are made by the licensed institutions



## ▶ Stock Connect has begun on a more subdued note



**The turnover may remain low in the next few months. However, the performance and value of Stock Connect should not be judged only on short-term activities**

# ▶ Stock Connect is a significant mechanism innovation

## Innovative Closed-loop investment framework



Not required to open account in the other's market

Direct cross-border funds transfer

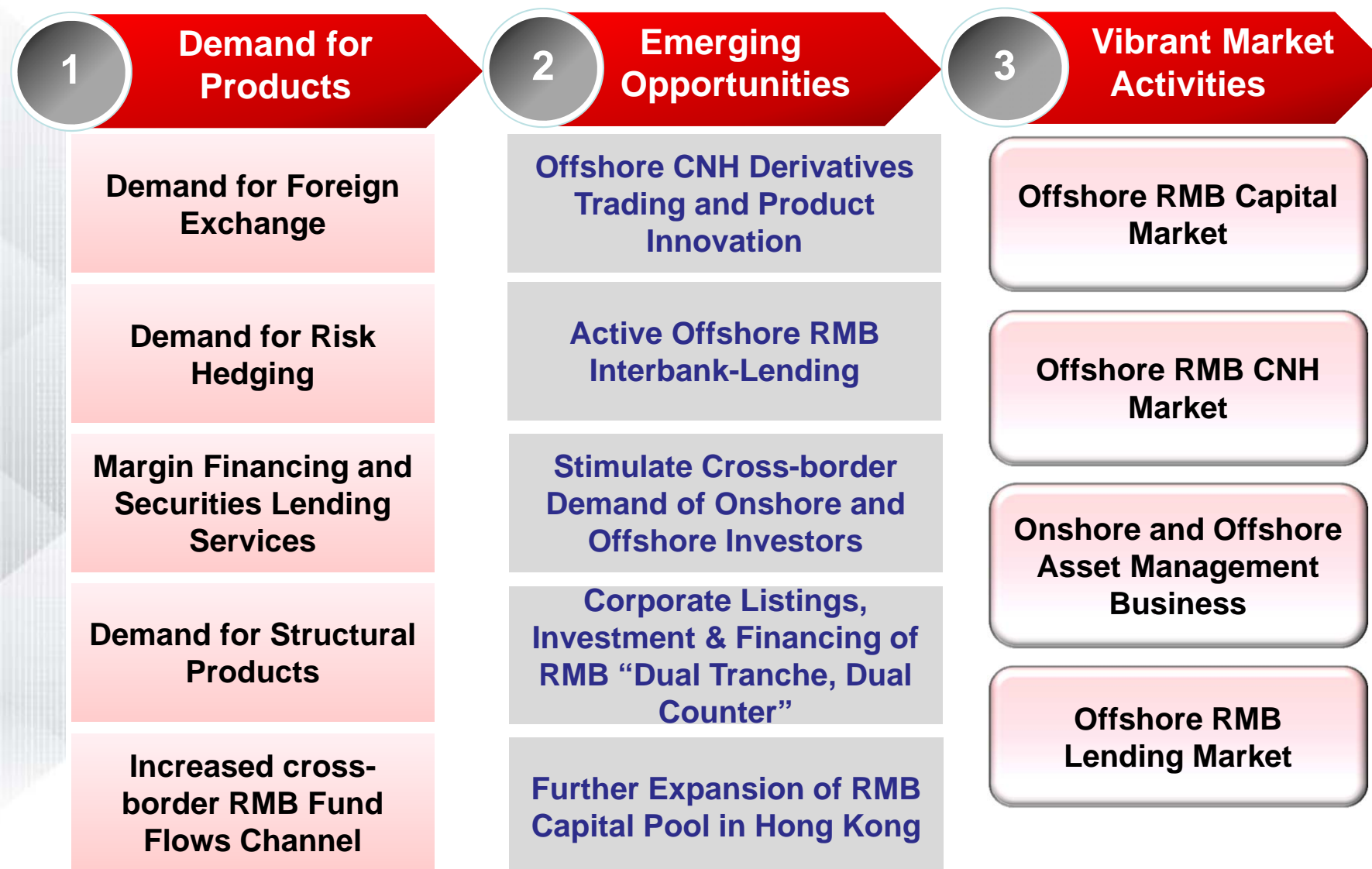
No worries on Foreign Exchange Controls

Removal of restrictions on RMB Conversion Limit

Lower Trading Costs and Saving Time

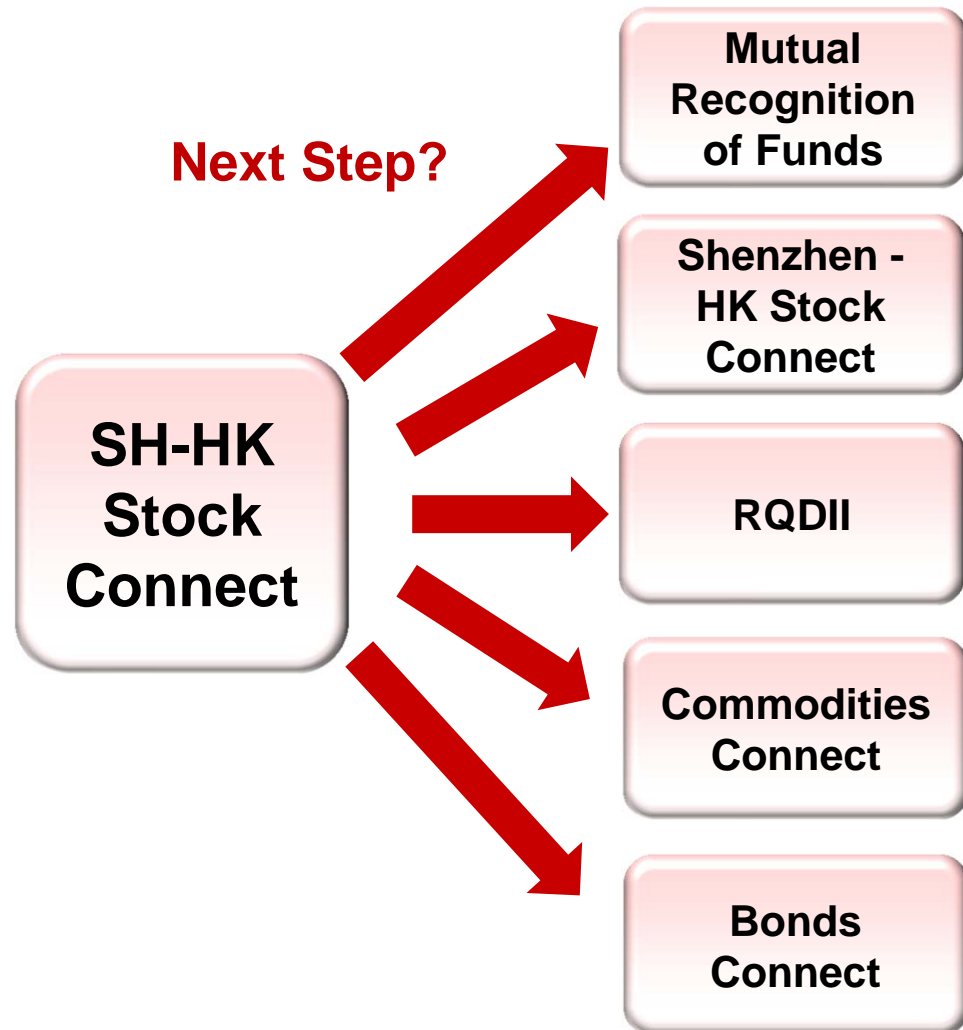
- ✓ Clearing and settlement to be conducted through linkage established between China Clear and HKSCC
- ✓ Both clearing houses will setup omnibus stock accounts with each other for the purpose of holding securities and funds settlement
- ✓ Both markets will maintain own trading rules and investors can continue to use the existing stocks accounts, agents and settlement services

# Stimulate demand for different types of products and business opportunities in the market



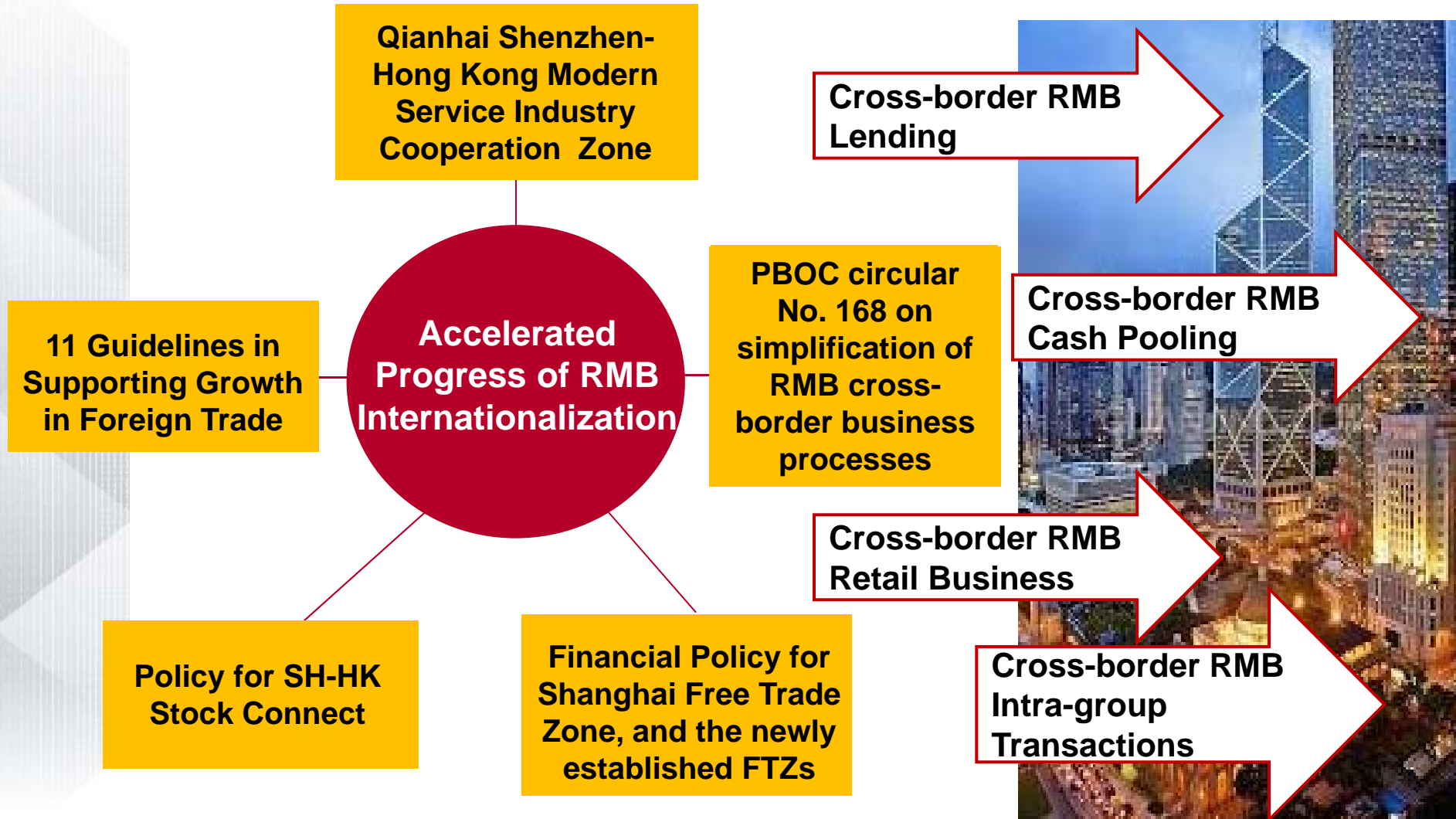
## ► Profound influence to opening-up of Capital A/C in future

- A significant step in the opening-up of Mainland's capital market
- Will cause a series of far-reaching impact to both the onshore and offshore RMB market
- A good model for the future opening-up of China's capital account

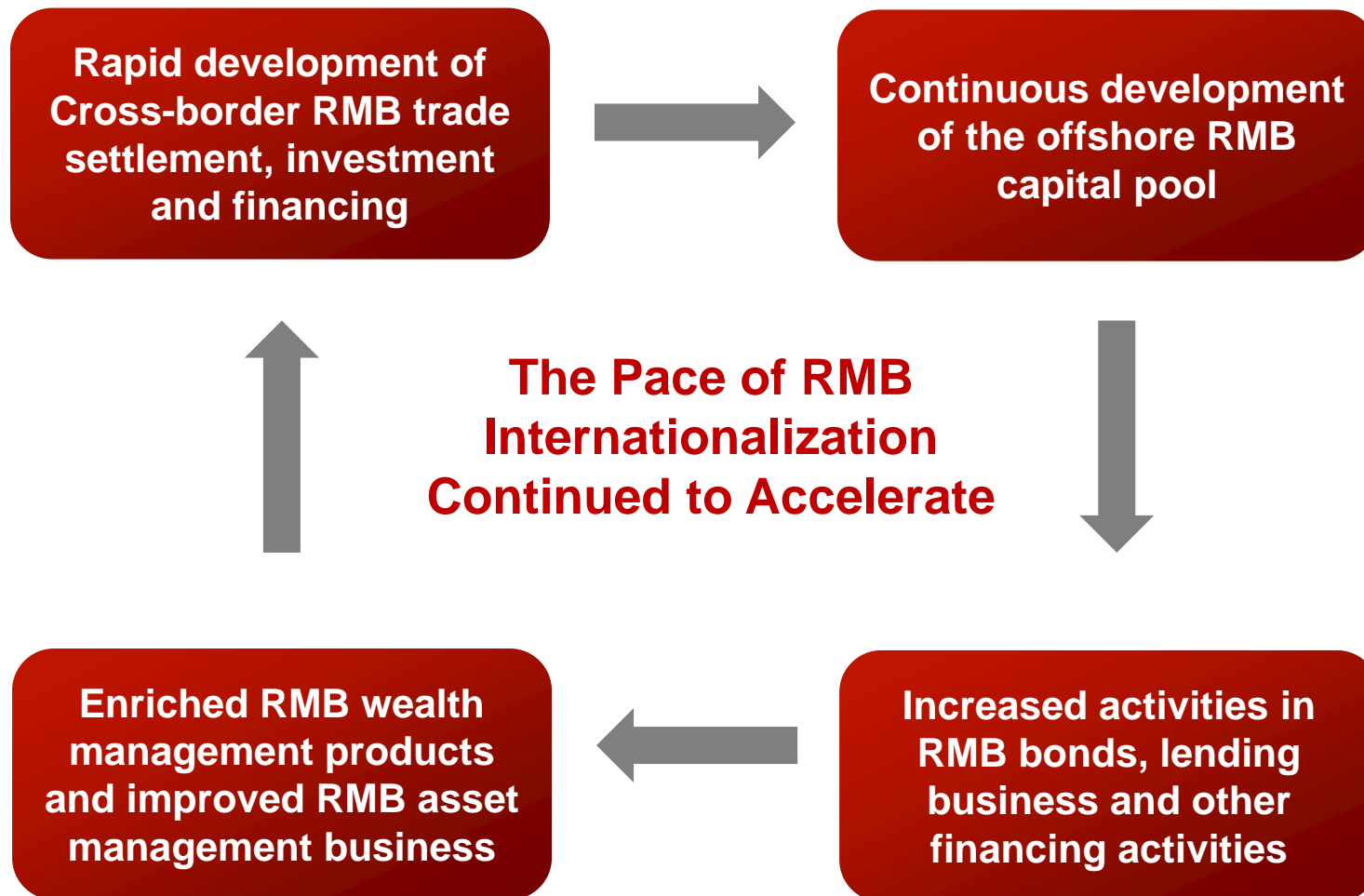




# New development opportunities brought by RMB internationalization



## ▶ Outlook — Virtuous cycle of offshore RMB circulation



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Investor Relations Contact :  
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