

SMI Markets: Hong Kong

Date: 29 Aug 2014

CSDs: HKSCC (Hong Kong)

CCP: HKSCC (HKG)

HKEx Draft Amendments to the Shanghai-Hong Kong Stock Connect Rules

On 25 August 2015, the Hong Kong Exchanges and Clearing Limited (HKEx) issued proposed amendments to the Rules of the Exchange, the General Rules of Central Clearing and Settlement System (CCASS), and the CCASS Operational Procedures in relation to the Shanghai-Hong Kong Stock Connect Pilot Programme. These set out rules for the northbound trading of the Stock Connect.

The proposed amendments cover the trading and settlement arrangement, quota control, fees and levies (excluding details on the capital gain tax), emergency arrangement, disclosure of information and publication of trade information. The key highlights include:

- For the northbound trades under the Stock Connect, securities will be held by HKSCC in electronic form under a clearing link. Physical deposit / withdrawal of securities will not be possible.
- The northbound trades will be novated to HKSCC which will act as the central counterparty (CCP) and provide clearing, settlement, depository, and nominee services.
- Securities settlement will take place on trade day, i.e. T+0, and cash settlement will occur on T+1; however, HKSCC will put the securities on hold until it has received payment from the clearing member.
- In case of a delivery failure, HKSCC may impose a default fee and/or execute a buy-in via the relevant trading link.
- Clearing members participating in the northbound trading are required to provide HKSCC with Mainland Settlement Deposit and Mainland Security Deposit. The former will be calculated based on buy turnover and any overdue short positions, whilst the latter will be computed according to the net settlement amount.
- All deposits, marks and collateral provided to HKSCC must be in cash in RMB, unless HKSCC or the operational procedures otherwise approve.
- Clearing members will also be required to contribute to the Mainland Clearing Risk Fund for their northbound trading.

According to HKEx, the draft amendments are still subject to the approval of the Securities and Futures Commission (SFC) and may be further revised in the future. The official circular released by HKEx is available [here](#), and the draft rule amendments of CCASS are available [here](#).

Market Information Impact

Hong Kong

This information affects the data contained in the Stock Market sections of the Securities Market Information Service.

CSD Risk Impact

HKSCC (Hong Kong)

CSD Rating: A+

CSD Flash Impact: Stable

The proposed rule amendments would set out a comprehensive framework for the northbound trading under the Stock Connect and would help to ensure the smooth operations of such trading and clearing links. Further risk analysis will be carried out once the rules are finalised.

CCP Risk Impact

HKSCC (HKG)

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