

## Capital Market

### CSRC Released Further Details on Shanghai-Hong Kong Stock Connect

On June 13, 2014, the China Securities Regulatory Commission (“**CSRC**”) released the final version of “*Certain Provisions on Shanghai-Hong Kong Stock Connect Pilot Program*” (“**Rules**”).

Shanghai-Hong Kong Stock Connect is expected to be formally launched by October 2014, which will eventually enable investors of Mainland China and Hong Kong to trade eligible stocks listed in the other market.

#### **Background of Shanghai-Hong Kong Stock Connect**

Shanghai-Hong Kong Stock Connect was initially unveiled by a joint announcement by the CSRC and the Hong Kong Securities and Futures Commission (the “**SFC**”) (“**Joint Announcement**”), which represents new efforts by the regulators to establish a direct mutual market access platform between Mainland China and Hong Kong.

In May of this year, the CSRC published the draft version of “*Certain Provisions on Shanghai-Hong Kong Stock Connect Pilot Program*” to seek public comments. Now the Rules were issued and are currently effective.

Shanghai-Hong Kong Stock Connect, as a pilot

program to provide mutual stock market access, covers both a northbound trading link (i.e. Hong Kong and overseas investors trading in Mainland China) and a southbound trading link (i.e. Mainland China investors trading in Hong Kong). Under the northbound trading link, Hong Kong investors will be able to trade eligible stocks listed on the Shanghai Stock Exchange (“**SSE**”) through HK brokers, while under the southbound trading link, Mainland investors will be able to trade eligible stocks listed on the Stock Exchange of Hong Kong Limited (the “**HKeX**”) through Mainland brokers.

Prior to the establishment of Shanghai-Hong Kong Stock Connect, the only way that Mainland China investors can invest in Hong Kong listed stocks is trading via the Qualified Domestic Institutional Investor (“**QDII**”) program. Similarly, foreign investors are only allowed to invest in the Mainland China stock market either through the Qualified Foreign Institutional Investor (“**QFII**”) program or the Renminbi Qualified Foreign Institutional Investor (“**RQFII**”) program with holders of special license issued by the CSRC and quotas granted by the State Administration of Foreign Exchange, or trading B-shares.

#### **Major Provisions of the Rules**

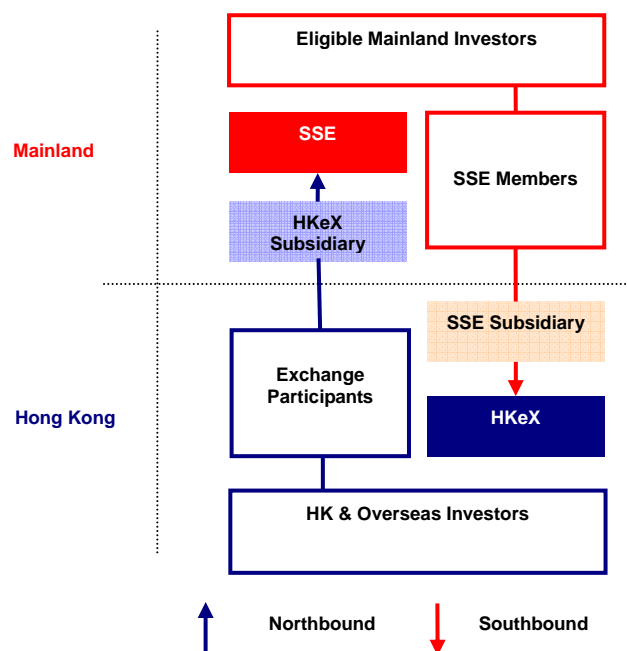
The Rules further spelled out the duties of SSE,

HKeX and their servicing affiliates on carrying out the Shanghai-Hong Kong Connect facilitates. Key provisions of the Rules are summarized below:

### *Exchange Subsidiary*

Under Article 5 of the Rules, SSE and HKeX will each establish a subsidiary in the other's location, whose principal function is to receive orders to trade in the other exchange, and route the orders onto the other exchange's trading platform for matching and execution.

Below is the illustration of order flow of Shanghai-Hong Kong Connect trading:



### *Cross-border Regulatory Framework*

Articles 3 and 4 of the Rules make it clear that, except otherwise provided, (i) all trading and clearing activities under Shanghai-Hong Kong Stock Connect will continue to be subject to the rules of the market where the trading and clearing activities occur, (ii) all listed companies shall follow the rules and regulations of the location where it is listed, and (iii) brokers shall follow the

rules and regulations promulgated by the supervisory authorities in its region.

Nevertheless, CSRC will have a general authority to supervise all business activities of Shanghai-Hong Kong Stock Connect. The CSRC will, based on the principles of fairness, justice, and reciprocity, work together with the SFC and other relevant securities market regulators through the cooperation arrangements between regulators to protect the interests of investors.

### *Quotas*

Under Article 12 of the Rules, a single foreign investor cannot hold more than 10 percent of the total outstanding stock of a Mainland listed company. The maximum combined holdings of all Hong Kong and overseas investors of a single Chinese listed company will be 30 percent, excluding stocks held by overseas strategic investors.

Pursuant to the Joint Announcement of the CSRC and the SFC, trading under the Shanghai-Hong Kong Stock Connect will also be initially subject to a maximum investment quota (aggregate quota), together with a daily quota. The northbound aggregate quota is set at RMB300 billion and the southbound aggregate quota is set at RMB250 billion. The daily quota limits the maximum net buy value each day. The northbound daily quota is set at RMB13 billion and the southbound daily quota is set at RMB10.5 billion.

### *No Dark Pool Trading*

Under Article 11 of the Rules, cross-border trading can only be conducted at exchanges, unless specially permitted by the CSRC. In other words, dark pool trading will not be available for either northbound trading or southbound trading.

### *Clearing and Settlement*

The Rules impose the liability of clearing and

settlement of the southbound trading on the China Securities Depository and Clearing Corporation Limited while that of northbound trading on the Hong Kong Securities Clearing Company Limited. The Rules also make clear that investors shall settle with brokers in RMB for the stock trading under the Shanghai-Hong Kong Stock Connect.

### **Our Observation**

Shanghai-Hong Kong Stock Connect is a notable step in the opening up of China's capital markets and the promotion of RMB internationalization. However, it remains to be seen how Shanghai-Hong Kong Stock Connect will stimulate the Mainland and Hong Kong stock markets and its impact on the QDII, QFII, and RQFII participants.

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## 资本市场法律热点问题

### 证监会出台沪港通试点规定

中国证券监督管理委员会（以下简称“**中国证监会**”）于2014年6月13日公布了《沪港股票市场交易互联互通机制试点若干规定》（以下简称“**《若干规定》**”）。沪港股票市场交易互联互通机制（以下简称“**沪港通**”）预期于2014年10月正式启动，该机制为中国内地和香港市场的投资者提供了交易对方市场股票的新路径。

#### 建立沪港通机制的背景

沪港通的计划最早披露于香港证券及期货事务监察委员会（以下简称“**香港证监会**”）及中国证监会的联合公告（以下简称“**联合公告**”），是监管机构对建立内地与香港之间直接跨境交易平台的新尝试。

今年五月，证监会发布《沪港股票市场交易互联互通机制试点若干规定（征求意见稿）》公开征求意见。经过公开征求意见后，《若干规定》的正式稿于日前公布并生效。

作为股票市场互通机制试点项目，沪港通包括了沪股通（香港及海外投资者通过香港经纪商在上海交易）和港股通（内地投资者通过大陆经纪商在香港交易）。在沪股通中，香港投资者可投资在上海证券交易所（以下简称“**上交所**”）上市的规定范围内的股票；在港股通中，内地投资者可投资在香港联合交易所（以下简称“**联交所**”）上市的规

定范围的内股票。

在沪港通机制建立之前，内地投资者仅可通过合格境内机构投资者（以下简称“**QDII**”）方式投资在香港上市的股票。同样，境外投资者要投资在中国内地上市的股票，也仅可通过经中国证监会批准并由国家外汇管理局授予的额度的合格境外机构投资者（以下简称“**QFII**”）、人民币合格境外投资者（以下简称“**RQFII**”），或交易B股的方式进行。

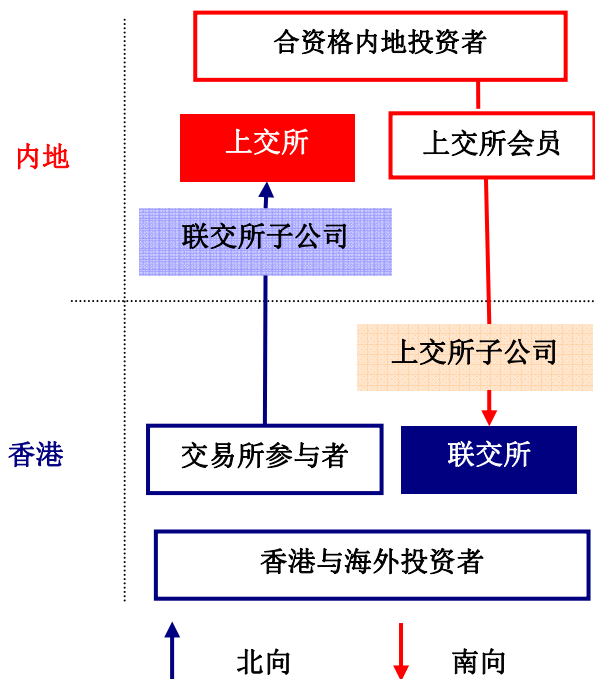
#### 《若干规定》的核心条款

《若干规定》进一步细化了上交所、联交所及两者的附属机构在沪港通机制下的职责。其核心条款总结如下：

##### 设立交易所子公司

《若干规定》第五条规定，上交所和联交所将分别于对方所在地设立证券交易服务公司，主要职能为接收买卖对方交易所股票的指令，并将该等指令传递到对方交易所的交易平台以撮合及执行交易。

下图为沪港通交易流程图示：



### 跨境监管机制

《若干规定》第三、四条明确规定，除非另有规定，（1）沪港通遵循两地市场现行的交易结算法律法规，（2）上市公司遵守上市地的监管规定及业务规则，（3）经纪商遵守交易结算发生地的监管规定及业务规则。

尽管如此，中国证监会仍保有对沪港通业务的监管权，并通过监管合作安排与香港证监会及其他有关国家或地区的证券监督管理机构，按照公平、公正、对等的原则，维护投资者跨境投资的合法权益。

### 额度

《若干规定》第十二条规定，单个境外投资者

对单个内地上市公司的持股比例，不得超过该上市公司股份总数的10%。所有境外投资者对单个内地上市公司A股的持股比例总和，不得超过该上市公司股份总数的30%，境外投资者战略投资的持股不受该限制。

根据联合公告，通过沪港通达成的交易初期将受制于投资总额度（以下简称“**总额度**”）以及每日额度。沪股通总额度为人民币3,000亿元，港股通总额度为人民币2,500亿元。沪股通每日额度为人民币130亿元，港股通每日额度为人民币105亿元。

### 限制暗盘交易

《若干规定》第十一条规定，除非由中国证监会特别准许，通过沪港通买卖的股票提供转让服务仅在证券交易所提供。即意味着沪股通及港股通业务均不允许暗盘交易。

### 结算和交收

《若干规定》指定中国证券登记结算有限责任公司作为沪股通交易的结算交收负责机构，香港中央结算有限公司作为港股通交易的结算交收负责机构。《若干规定》同时指出，投资者通过沪港通买卖股票，应当以人民币与经纪商进行交收。

### 简评

沪港通是开放中国资本市场和促进人民币国际化进程中的重要一步，但如何发挥沪港通机制的作用以促进内地及香港股票市场的发展，以及沪港通机制对QDII、QFII和RQFII的影响仍有待观察。

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