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## Quick IntelliViews

**HONG KONG SAR**

**ACCOUNT OPENING/INVESTMENT APPROVAL - EQUITIES**

| Subcustodian Account Opening Time Frame | Hong Kong: 1 Day  
| Stock Connect: 24-48 hours |
| Documents Required |  
| Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (Stock Connect) | Hong Kong: No  
| Stock Connect: Yes - documentation required for Stock Connect |
| Separate securities accounts required for different instruments | Hong Kong: No  
| Stock Connect: Assets acquired via the Enhanced Model (SPSA) cannot be comingled and require a separate safekeeping account on the books of the subcustodian  
<p>| Bond Connect: An investor must open a segregated sub-account opened under the subcustodian’s omnibus account at the CMU. |
| Multiple cash accounts required | No |</p>
<table>
<thead>
<tr>
<th><strong>Prior Investment Approval Required</strong></th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval From</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Approximate Time Frame</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Estimated Costs</td>
<td>Not Applicable</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Other Approvals Required (instrument or sectors)</strong></th>
<th>Television Broadcasting Company (TVB) / Hong Kong Exchanges and Clearing Limited (HKEX) Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval From</td>
<td>Broadcasting Authority / Securities and Futures Commission (SFC) and Financial Secretary</td>
</tr>
<tr>
<td>Approximate Time Frame</td>
<td>2 to 3 Months</td>
</tr>
<tr>
<td>Estimated Costs</td>
<td>None</td>
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<tr>
<td></td>
<td>Treasury Bills</td>
</tr>
<tr>
<td>------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Separate accounts required:</td>
<td></td>
</tr>
<tr>
<td>Securities</td>
<td>No</td>
</tr>
<tr>
<td>Cash</td>
<td>No</td>
</tr>
<tr>
<td>Timeframe to open separate cash and/or securities accounts</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Prior Investment Approval Required</td>
<td>No</td>
</tr>
<tr>
<td>If yes, by whom</td>
<td></td>
</tr>
<tr>
<td>Approximate Time Frame</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Investor Requirements for Trading</td>
<td>No</td>
</tr>
<tr>
<td>If yes, Type of Requirement</td>
<td>Not</td>
</tr>
<tr>
<td></td>
<td>Applicable</td>
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## QuickIntelliViews

### Hong Kong SAR

**Market Infrastructure - Equities**

<table>
<thead>
<tr>
<th></th>
<th>Equities</th>
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<tbody>
<tr>
<td>Financial Markets Regulatory Body</td>
<td>Securities and Futures Commission (SFC)</td>
</tr>
<tr>
<td>Central Bank</td>
<td>Hong Kong Monetary Authority (HKMA)</td>
</tr>
<tr>
<td>Main Stock Exchange</td>
<td>Stock Exchange of Hong Kong (SEHK)</td>
</tr>
<tr>
<td>Regulated Over-the-Counter (OTC) Market</td>
<td>None</td>
</tr>
<tr>
<td>Central Securities Depository</td>
<td>Central Clearing and Settlement System (CCASS)</td>
</tr>
<tr>
<td></td>
<td>Treasury Bills</td>
</tr>
<tr>
<td>------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Tenors</td>
<td>1, 3, 6, and 12 months</td>
</tr>
<tr>
<td>Issuer</td>
<td>Hong Kong Government</td>
</tr>
<tr>
<td>Currency Denomination</td>
<td>Hong Kong Dollar (HKD)</td>
</tr>
<tr>
<td>Coupon or Discount</td>
<td>Discount</td>
</tr>
<tr>
<td>Form (Book-entry/Physical)</td>
<td>Book-entry</td>
</tr>
<tr>
<td>Interest Payment Period</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>How many days after maturity is interest paid</td>
<td>Not Applicable</td>
</tr>
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</table>
## QuickIntelliViews

### Hong Kong SAR

**-Investment Restrictions-**

**Fixed Income**

<table>
<thead>
<tr>
<th></th>
<th>Treasury Bills</th>
<th>Government Bonds</th>
<th>Corporate Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available to Foreign Investors</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>If no, restriction type</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Acquisition Restrictions</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td><strong>QuickIntelliViews</strong></td>
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<td></td>
</tr>
<tr>
<td>-----------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hong Kong SAR</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>-Shareholder Disclosure Reporting-</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>Equities</strong></td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Equities</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reporting Authority</strong></td>
</tr>
<tr>
<td>Hong Kong Exchanges and Clearing Limited (HKEX) and Issuing Company</td>
</tr>
<tr>
<td><strong>Disclosure Reporting Threshold</strong></td>
</tr>
<tr>
<td>5 percent of company’s voting shares</td>
</tr>
<tr>
<td><strong>Subsequent Reporting</strong></td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td><strong>Disclosure Reporting Time Frame</strong></td>
</tr>
<tr>
<td>Trade Date (TD) plus 3 for purchases</td>
</tr>
<tr>
<td>Settlement Date (SD) plus 3 for sales</td>
</tr>
<tr>
<td><strong>Method for Disclosure Reporting</strong></td>
</tr>
<tr>
<td>Mail / Fax / Electronic</td>
</tr>
</tbody>
</table>

**Reporting Considerations**

| Reporting Of Affiliated/Related Persons Provisions |
| No |
| Reporting of Convertible Instruments Required |
| Yes |
## QuickIntelliViews

### Hong Kong SAR - Foreign Ownership Limits - Equities

<table>
<thead>
<tr>
<th></th>
<th>Equities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Restriction</strong></td>
<td>None</td>
</tr>
<tr>
<td><strong>Market Foreign Ownership Limits</strong></td>
<td>TVB: Individual - 10% Aggregate - 49% Investors must receive prior approval from the Broadcasting Authority prior to acquiring 2, 4, 6, 8 or 10 % of TVB’s voting rights</td>
</tr>
<tr>
<td><strong>Sector Ownership Limitations</strong></td>
<td>Broadcasting - 49%</td>
</tr>
</tbody>
</table>

### Monitoring & Implications

<table>
<thead>
<tr>
<th>Where Limits Monitored</th>
<th>Security Registrar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implications for Limit Breaches</td>
<td>Hong Kong Dollar 1 million and/or up to 2 years imprisonment</td>
</tr>
<tr>
<td>Rectification Options</td>
<td>No prescribed action</td>
</tr>
<tr>
<td>Rectification Time Frame</td>
<td>No prescribed action</td>
</tr>
</tbody>
</table>
**QUICKINTELLIVIEWS**

**HONG KONG SAR**

**- TRADING -**

**EQUITIES**

<table>
<thead>
<tr>
<th>Equities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investor Requirements for Trading</strong></td>
</tr>
<tr>
<td>None</td>
</tr>
<tr>
<td><strong>Type of Requirement</strong></td>
</tr>
<tr>
<td>Not Applicable</td>
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</tbody>
</table>

**Trading Details**

<table>
<thead>
<tr>
<th>Trading Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trading Days</strong></td>
</tr>
<tr>
<td>Monday through Friday</td>
</tr>
<tr>
<td><strong>Trading Hours (all local times)</strong></td>
</tr>
<tr>
<td>Continuous Trading</td>
</tr>
<tr>
<td>Morning Session: 9:30 a.m. to 12:00 p.m.</td>
</tr>
<tr>
<td>Extended Morning Session: 12:00 p.m. to 1:00 p.m.</td>
</tr>
<tr>
<td>Afternoon Session: 1:00 p.m. to 4:00 p.m.</td>
</tr>
<tr>
<td>Closing Call Auction: 4:00 p.m. to 4:10 p.m. (random closing between 4:08 p.m. to 4:10 p.m.)</td>
</tr>
</tbody>
</table>

**For Stock Connect**

Both markets in Hong Kong and Shanghai or Shenzhen need to be open.

**Shanghai Stock Exchange (SSE)**
## Shenzhen Stock Exchange (SZSE)

**Opening Call:**
9:15 a.m. - 9:25 a.m.

**Morning Session:**
9:30 a.m. to 11:30 a.m.

**Afternoon Session:**
1:00 p.m. to 2:57 p.m.

**Closing Call:**
2:57 p.m. to 3:00 p.m.

### Trading Characteristics

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Lots</td>
<td>Yes</td>
</tr>
<tr>
<td>Block Trading</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>No for Stock Connect</td>
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</tbody>
</table>

### Price Fluctuation Limits

Not Applicable
<table>
<thead>
<tr>
<th>Service</th>
<th>Available</th>
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</thead>
<tbody>
<tr>
<td>Short Selling</td>
<td>Yes</td>
</tr>
<tr>
<td>Securities Lending</td>
<td>Yes</td>
</tr>
<tr>
<td>Turnaround Trades</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>No for Stock Connect</td>
</tr>
<tr>
<td>Odd Lots</td>
<td>Yes</td>
</tr>
</tbody>
</table>
## QuickIntelliViews

### Hong Kong SAR

#### Trading - Fixed Income

<table>
<thead>
<tr>
<th></th>
<th>Treasury Bills</th>
<th>Government Bonds</th>
<th>Corporate Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trading Characteristics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Market:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Dealers</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Auction Style</td>
<td>Dutch style</td>
<td>Dutch style</td>
<td>Determined by issuer</td>
</tr>
<tr>
<td>Frequency of Auction</td>
<td>Weekly, generally on Tuesdays</td>
<td>Quarterly, semi-annually and annually</td>
<td>Determined by issuer</td>
</tr>
<tr>
<td>Auction Agent</td>
<td>Hong Kong Monetary Authority (HKMA)</td>
<td>Hong Kong Monetary Authority (HKMA)</td>
<td>Determined by issuer</td>
</tr>
<tr>
<td>Bid Types</td>
<td>Competitive and non-competitive</td>
<td>Competitive and non-competitive</td>
<td>Determined by issuer</td>
</tr>
<tr>
<td>Can bids be cancelled</td>
<td>Yes</td>
<td>Yes</td>
<td>Determined by issuer</td>
</tr>
<tr>
<td><strong>Secondary Market:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------</td>
<td>------------------------</td>
<td>------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td><strong>Method of Trading</strong></td>
<td><strong>Stock Exchange</strong></td>
<td><strong>Stock Exchange</strong></td>
<td><strong>Stock Exchange</strong></td>
</tr>
<tr>
<td></td>
<td>of Hong Kong</td>
<td>of Hong Kong</td>
<td>of Hong Kong</td>
</tr>
<tr>
<td></td>
<td>(SEHK) or OTC</td>
<td>(SEHK) or OTC</td>
<td>(SEHK) or OTC</td>
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<tr>
<td><strong>Trading entities</strong></td>
<td>Brokers and financial</td>
<td>Brokers and financial</td>
<td>Brokers and financial</td>
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<tr>
<td></td>
<td>institutions</td>
<td>institutions</td>
<td>institutions</td>
</tr>
<tr>
<td><strong>Trading Days</strong></td>
<td>Monday to Friday</td>
<td>Monday to Friday</td>
<td>Monday to Friday</td>
</tr>
<tr>
<td><strong>Trading Hours (all local times)</strong></td>
<td>SEHK: 9.30 a.m. to 4.10 p.m.</td>
<td>SEHK: 9.30 a.m. to 4.10 p.m.</td>
<td>SEHK: 9.30 a.m. to 4.10 p.m.</td>
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<tr>
<td></td>
<td>OTC: 9:00 a.m. to 6:00 p.m</td>
<td>OTC: 9:00 a.m. to 6:00 p.m</td>
<td>OTC: 9:00 a.m. to 6:00 p.m</td>
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<tr>
<td></td>
<td>Bond Connect: 9:00 a.m. to 12:00 p.m</td>
<td>Bond Connect: 9:00 a.m. to 12:00 p.m</td>
<td>Bond Connect: 9:00 a.m. to 12:00 p.m</td>
</tr>
<tr>
<td></td>
<td>1:30 p.m. to 4:30 p.m.</td>
<td>1:30 p.m. to 4:30 p.m.</td>
<td>1:30 p.m. to 4:30 p.m.</td>
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<tr>
<td><strong>Securities Lending</strong></td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Turnaround Trades</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Short Selling</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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</table>
**QUICKINTELLIVIEWS**  
**HONG KONG SAR**  
**SETTLEMENTS-**  
**EQUITIES**

<table>
<thead>
<tr>
<th>Equities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Settlement Cycle</strong></td>
<td></td>
</tr>
<tr>
<td>Hong Kong – Trade Date (T)+2</td>
<td></td>
</tr>
<tr>
<td>Stock Connect – Trade Date (T) + 0 for securities, cash settlement on T+0 or T+1 (negotiable with brokers)</td>
<td></td>
</tr>
<tr>
<td><strong>Form of Settlement (Book-entry/Physical)</strong></td>
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<tr>
<td>Book-entry and physical</td>
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<tr>
<td><strong>Partial Settlements</strong></td>
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<tr>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td><strong>Free-of-Payment (FoP)</strong></td>
<td></td>
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<tr>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td><strong>Transfers Allowed</strong></td>
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<td>Yes</td>
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**Interbroker Settlement Details**  
**Direct Participants**  

<table>
<thead>
<tr>
<th>Central Counterparty/Guarantor</th>
<th>Hong Kong Securities Clearing Company Limited (HKSCC)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Securities Netting</strong></td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Cash Netting</strong></td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Settlement Finality</strong></td>
<td>Securities - Central Clearing and Settlement System (CCASS)</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td>Cash - CCASS</td>
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</table>
| **Client Settlement Details**  
<table>
<thead>
<tr>
<th>(Indirect Participants)</th>
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<tbody>
<tr>
<td>Delivery-versus-Payment (DVP)</td>
<td>Yes</td>
</tr>
<tr>
<td>Affirmation of Transaction</td>
<td>No</td>
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<td>Deadline for Affirmation of Transaction</td>
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<td>Securities Netting</td>
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<tr>
<td>Cash Netting</td>
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</tr>
</tbody>
</table>
| Entity Effecting Movements | Securities - CCASS  
| | Cash - Local Custodian |
| Settlement Finality | Upon credit of cash and securities to the beneficiary's account and cash clearing on Settlement Date (SD)+1 |

<table>
<thead>
<tr>
<th><strong>Investor Protection Mechanisms</strong></th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Buy-ins/Sell-outs</td>
<td>Yes</td>
</tr>
<tr>
<td>Fail Penalties</td>
<td>Yes</td>
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<tr>
<td>Guarantee/Settlement Funds</td>
<td>Yes</td>
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</tbody>
</table>
## QUICK INTELLIVIEWS

### HONG KONG SAR

- **SETTLEMENTS-**

### FIXED INCOME

<table>
<thead>
<tr>
<th></th>
<th>Treasury Bills</th>
<th>Government Bonds</th>
<th>Corporate Bonds</th>
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<tbody>
<tr>
<td><strong>Settlement</strong></td>
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</tr>
<tr>
<td><strong>Characteristics:</strong></td>
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<td><strong>Settlement Cycle</strong></td>
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<td><strong>Primary Market:</strong></td>
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<tr>
<td>Trade date plus one</td>
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</tr>
<tr>
<td>(T+1)</td>
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<tr>
<td><strong>Secondary Market:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTC: Trade date plus one (T+1), negotiable</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>SEHK: Trade date plus two (T+2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond Connect: Trade date plus zero (T+0), T+1, T+2, negotiable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Primary Market:</strong></td>
<td></td>
<td></td>
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<tr>
<td>Trade date plus one</td>
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<td>(T+1)</td>
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<tr>
<td><strong>Secondary Market:</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>OTC: Trade date plus one (T+1), negotiable</td>
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<td><strong>Primary Market:</strong></td>
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</tr>
<tr>
<td>Trade date plus three</td>
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<tr>
<td>(T+3)</td>
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<tr>
<td><strong>Secondary Market:</strong></td>
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</tr>
<tr>
<td>OTC: Trade date plus one (T+1), negotiable</td>
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<tr>
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</tbody>
</table>

**Entity effecting cash movement**

<table>
<thead>
<tr>
<th></th>
<th>Treasury Bills</th>
<th>Government Bonds</th>
<th>Corporate Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary Market:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Moneymarkets Unit (CMU)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Secondary Market:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Moneymarkets Unit (CMU)</td>
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<tr>
<td><strong>Primary Market:</strong></td>
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<td>Central Moneymarkets Unit (CMU)</td>
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<tr>
<td><strong>Secondary Market:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Moneymarkets Unit (CMU)</td>
<td></td>
<td></td>
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<tr>
<td>Entity effecting securities movement</td>
<td>Moneymarkets Unit (CMU)</td>
<td>Market: Central Moneymarkets Unit (CMU)</td>
<td>Market: Central Moneymarkets Unit (CMU)</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-------------------------</td>
<td>----------------------------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td><strong>Primary Market:</strong> Central Moneymarkets Unit (CMU)</td>
<td><strong>Primary Market:</strong> Central Moneymarkets Unit (CMU)</td>
<td><strong>Primary Market:</strong> Central Moneymarkets Unit (CMU)</td>
<td></td>
</tr>
<tr>
<td><strong>Secondary Market:</strong> The Central Clearing and Settlement system (CCASS), Central Moneymarkets Unit (CMU)</td>
<td><strong>Secondary Market:</strong> The Central Clearing and Settlement system (CCASS), Central Moneymarkets Unit (CMU)</td>
<td><strong>Secondary Market:</strong> The Central Clearing and Settlement system (CCASS), Central Moneymarkets Unit (CMU)</td>
<td></td>
</tr>
<tr>
<td>Central Counterparty/Guarantor</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Securities Netting</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Cash Netting</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Partial Settlement</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Settlement Finality</td>
<td>Upon settlement on the CCASS and CMU systems</td>
<td>Upon settlement on the CCASS and CMU systems</td>
<td>Upon settlement on the CCASS and CMU systems</td>
</tr>
<tr>
<td>Free of Payment</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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</tbody>
</table>
### QUICKINTELLIVIEWS

**HONG KONG SAR**

**-CORPORATE ACTIONS-**

**EQUITIES**

<table>
<thead>
<tr>
<th>Event</th>
<th>Equities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Announcements Regulated</td>
<td>Yes</td>
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</tbody>
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**Event Date Recognition**

<table>
<thead>
<tr>
<th>Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ex Date (Ex)</td>
<td>RD-1</td>
</tr>
<tr>
<td>Record Date (RD)</td>
<td>Ex+1</td>
</tr>
<tr>
<td>Pay Date (PD)</td>
<td>2 to 4 weeks after RD</td>
</tr>
<tr>
<td>Entitlement Based On</td>
<td>Settled position on Record Date (RD)</td>
</tr>
<tr>
<td>Formal Market Claims Available</td>
<td>No</td>
</tr>
<tr>
<td><strong>QuickIntelliViews</strong></td>
<td></td>
</tr>
<tr>
<td>-----------------------</td>
<td></td>
</tr>
<tr>
<td><strong>Hong Kong SAR</strong></td>
<td><strong>Proxy Voting</strong></td>
</tr>
<tr>
<td><strong>Equities</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Peak Proxy Season</strong></th>
<th>May, June and November</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Meeting Announcement Period</strong></td>
<td>At least 21 days before annual general meeting (AGM) or at least 14 days prior to extraordinary general meeting (EGM)</td>
</tr>
<tr>
<td><strong>Meeting Results Announced</strong></td>
<td>Companies not mandated to publish meeting results.</td>
</tr>
</tbody>
</table>

**Voting Details**

<table>
<thead>
<tr>
<th><strong>Positions Eligible to Vote</strong></th>
<th>Registered Shareholders based on settled positions on record date (RD)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Partial Voting Allowed</strong></td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Split Voting Allowed</strong></td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Voting Method</strong></td>
<td>Proxy cards / Representative</td>
</tr>
</tbody>
</table>

**Special Requirements**
<table>
<thead>
<tr>
<th>Documentation Required</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Blocking</td>
<td>No</td>
</tr>
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</table>

### QuickIntelliViews

**Hong Kong SAR**

**Cash, Cash Payment Systems & Foreign Exchange - Equities**

| Local Currency         | Hong Kong Dollar (HKD)  
<table>
<thead>
<tr>
<th></th>
<th>For Stock Connect, offshore Chinese renminbi (CNH)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overdrafts</td>
<td>Yes</td>
</tr>
</tbody>
</table>

### Interbank Payment Systems

<table>
<thead>
<tr>
<th>Operated By</th>
<th>Hong Kong Interbank Clearing Ltd. (HKICL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction Method</td>
<td>Electronic</td>
</tr>
<tr>
<td>Transfer Mechanism</td>
<td>Real-Time Gross Settlement system (RTGS)</td>
</tr>
<tr>
<td>Finality &amp; Irrevocability</td>
<td>Upon credit of funds to the beneficiary's account</td>
</tr>
</tbody>
</table>

### Foreign Exchange

<table>
<thead>
<tr>
<th>Freely Traded</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Limitations</td>
<td>No</td>
</tr>
</tbody>
</table>
**Foreign Exchange Controls**

| Restrictions | No |

**Repatriation**

| Restrictions | No |

---

**QuickIntelliViews**

**Hong Kong SAR**

**-Taxation-**

**Fixed Income**

<table>
<thead>
<tr>
<th></th>
<th>Treasury Bills</th>
<th>Government Bonds</th>
<th>Corporate Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction Tax</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Stamp Duty</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Value-Added Tax</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Any other taxes</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>If yes, type of tax</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
</tbody>
</table>
1. Country Data

Workweek and Time Zone

The standard workweek is Monday through Friday, from 9:00 a.m. to 6:00 p.m. local time. Hong Kong Special Administrative Region (SAR) is 13 hours ahead of Eastern Standard Time, (EST); during US Daylight Savings Time it is 12 hours ahead of Eastern Daylight Time (EDT).
2. Regulatory Structure

Legislation

Laws affecting investment in the Hong Kong Special Administrative Region (SAR) include, but are not limited to, the following:

- **Deposit Protection Scheme Ordinance: Enacted in 2010**
  Provide establishment of a deposit protection scheme and the limit is set per depositor per bank.
- **Banking Ordinance: Enacted in 1986**
  Provides the legal framework for banking supervision.
- **Securities and Futures Ordinance (SFO): Enacted 2003**
  Consolidated previous ordinances governing the securities and futures markets.
- **Payment Systems and Stored Value Facilities Ordinance: Enacted 2003**
  Empowers the HKMA to designate and oversee clearing and settlement systems.
- **Companies (Winding Up and Miscellaneous Provisions) Ordinance: Enacted 2003**
  Provides the legal framework for winding up proceedings of companies.
- **Rules of the Exchange and Disciplinary Procedures:**
- Provides the legal framework for securities in Hong Kong Securities Market and Stock Connect.
- **Interim Measures for the Administration of Mutual Bond Market Access between Mainland China and Hong Kong SAR**
  Provides the legal framework for securities in Bond Connect.
The Securities and Futures Commission (SFC) was established in May 1989 under the Securities and Futures Ordinance (SFO) as an independent, non-governmental, regulatory body. The SFC oversees the operations of the entities composing the HKEX [Stock Exchange of Hong Kong (SEHK), the Hong Kong Futures Exchange (HKFE), and the Hong Kong Securities Clearing Co. (HKSCC)], as well as brokers, dealers, and investment advisors. The SFC regulates the securities and futures industries by safeguarding investor interests and punishing illegal, dishonorable, and improper dealing practices. The SFC has the power to levy sanctions and intervene in litigation. The SFC is required to submit its annual report to Hong Kong SAR’s Financial Secretary and the Provisional Legislative Council.

The Chief Executive of the Hong Kong SAR appoints the Chairman and Executive Directors of the SFC. The SFC is funded through licensing fees, revenue from reserves, and broker-participant contributions, which it splits with the HKEX. The Financial Secretary must approve the annual budget of the SFC.

* The Securities and Futures Commission reports to and advises the Financial Secretary
The SFC’s enforcement tools include the regular surveillance of trading activity within the securities and futures markets to detect possible illegal activity. The SFC also conducts periodic inspections of registered entities and investigates all complaints of misconduct.

Under the SFO, the SFC has the authority to create tribunals to hear cases of alleged misconduct, and may levy fines on market intermediaries. The SFO also increased the penalties for securities violations and enhanced the disclosure requirements for companies.

The Hong Kong Monetary Authority (HKMA) maintains Hong Kong SAR’s financial integrity and it is the de facto central bank of Hong Kong. The HKMA is responsible for establishing monetary policy, regulating and maintaining the stability of the banking system, and auctioning exchange fund bills and government bonds. All banks and deposit-taking institutions offering custodial services are under the supervision of the HKMA. The HKMA also performs the role of a central custodian and clearing agent for Hong Kong dollar (HKD) debt instruments issued by private sector issuers through Central Moneymarkets Unit (CMU) services.

The Financial Services and Treasury Bureau (FSTB) is a governmental body with the objective to develop the Hong Kong SAR as a major international financial center. The FSTB provides an appropriate legal, regulatory and administrative framework to maintain the stability of the monetary system and promoting the highest standards of business where all market participants compete on equal terms. FSTB also fosters new financial products and services to enable Hong Kong to compete with other major financial centers.
Foreign Investor Market Entry Approval and Registration

Process
No foreign investor approval or registration is necessary to enter the market.
Bond Connect: Investors are required to file in the Bond Connect application form to the BCCL and sequentially to the PBOC. Investors are not allowed to participate in Bond Connect until the PBOC has granted the approval.

Time Frame
Account opening normally takes one business day from the date of request.

Stock Connect Special Segregated Account (SPSA): Account opening takes up to five business days
Bond Connect: Account opening takes between 2 to 3 months subject to PBOC approval on the bond connect application.

Costs
No market entry costs apply.

Investor Codes/Account Structure
Stock Connect: Investors participating in Stock Connect will be required to open a separate segregated securities account in Hong Kong (China Connect Account) which will be used solely for the processing of transactions and safekeeping of China Connect securities.

For the Enhanced Model: Investors will need to establish a Special Segregated Account (SPSA) to be opened under the subcustodian’s account with HKSCC/CCASS and apply for a unique investor ID code at HKSCC/CCASS. The HKSCC/CCASS will assign the investor ID code which will be linked to the investor’s SPSA.

Investors will need to designate brokers (maximum of 20) to be linked to the SPSA. The process to link a broker to the investor’s SPSA requires the manual processing of paperwork between the local subcustodian and local broker. The subcustodian will facilitate the signing of required paperwork with the broker. Once the signed paperwork has been received, required documentation will be forwarded to the HKEX for onward processing. The HKEX takes at least five business days from when completed documents are received to process broker maintenance requires (addition or removal of authorized brokers.)

- Purchase trade activity can commence once the SPSA opened.
• Sale trade activity cannot commence until authorized brokers are linked to the investor’s SPSA as the investor ID code is required on sale trades entered into the Stock Connect trading system in order to perform the pre-trade verification process.

**Bond Connect**
Investors participating in Bond Connect will need to establish segregated accounts at the Central Moneymarkets Unit (CMU) which will be facilitated by the local subcustodian. The CMU unique ID set up process takes 24 to 48 hours to process and there is a 50 character limit at the CMU for the account title. The CMU will issue a unique ID (3-digit code) which will be required on the China Foreign Exchange Trading System (CFETS) application.

Once the account is open and the investors obtain the CMU unique ID (3 digits), investors are required to submit market entry applications to the Bond Connect Company Limited (BCCL). Once the application is approved, investors will be issued a 21-digit CFETS ID which is required for trade execution.

Please note that documentation requirements for Stock Connect and Bond Connect may change due to changes in local regulation as well as subcustodian requirements.
Investment Restrictions

Ownership Limitations

Sector Limitations
Foreign investors may invest in all market sectors with the exception of the broadcasting sector and the tracker fund of the HKEX.

Broadcasting Sector: The Television Broadcasting Company (TVB) is the only broadcasting company listed on the SEHK. Foreign ownership in TVB shares is limited to an individual limit of 10 percent and aggregate limit of 49 percent. Foreign investors are required to receive prior approval from the Broadcasting Authority prior to acquiring 2 percent of the total voting control of TVB shares. Subsequent approval is required at each 2 percent threshold (4, 6, 8, 10 percent). Investors interested in obtaining approval should send a letter to the Broadcasting Authority and include the investor identity, number of TVB shares to be acquired, expected holding period for the shares, and other required information by the Broadcasting Authority.

HKEX: Pursuant to the Exchanges and Clearing Houses (Merger) Ordinance, Chapter 555 of the Laws of Hong Kong SAR, no person(s) may hold more than 5 percent of HKEX shares without prior approval of the Securities and Futures Commission (SFC) and the Financial Secretary.

Stock Connect: FOLs applicable to Stock Connect are the same as those in place for investments made directly in Mainland China on the SSE and SZSE:

- 10 percent individual FOL applies to A shares; the investor is responsible to monitor to ensure individual limit is not breached; and
- 30 percent aggregate FOL applies to A Shares; monitored by stock exchange with forced last in first out (LIFO) divestment in event of breach. Trading under Stock Connect (Shanghai and Shenzhen) is subject to a daily quota at the market level to control the cross-boundary fund flows.
- Daily net buying limit of RMB 52 billion for each stock exchange (SSE and SZSE) applies. The daily quota for each exchange is calculated separately on a real-time throughout the trading day. The daily quota limits the value of securities that can be purchased on a net basis on any given day. The quota balance is reset on a daily basis.

Instrument Limitations
Foreign investors may invest freely in all market instruments.

Monitoring Process for Ownership Limits
Investors are responsible for monitoring ownership limits.
Verification Point for Ownership Limits
Foreign investors must seek preapproval from the Broadcasting Authority prior to acquiring or exercising 2 percent of TVB stock, and each subsequent 2 percent thereafter, up to a maximum of 10 percent individually.

The investor is responsible for monitoring holdings relative to the 5 percent threshold for HKEX shares.

Remedy for Violation of Aggregate Ownership Limits
In the event that an investor exceeds the foreign ownership limit set for shares of TVB stock, the Broadcasting Authority will issue a directive for the investor to comply within a specified deadline.

In the event an individual shareholder acquires holdings of the HKEX in excess of the 5 percent threshold, the investor is required to advise the SFC. The SFC may then approve the investor as a “minority controller.” In the event the SFC does not approve the investor as a minority controller, the investor will be required to sell shares in excess of the 5 percent threshold.

Stock Connect: The Stock Exchanges monitor aggregate limits with forced last in first out (LIFO) divestment in event the aggregate limit (30 percent) is breached. Cautionary limits are set at 26 and 28 percent. If the aggregate limit reaches 26 percent, the SSE/SZSE will publish a disclosure on their respective websites. Upon reaching 28 percent, the SEHK will be instructed by the SSE/SZSE to reject further purchase orders until the aggregate limit falls below 28 percent. The HKEX will publish a notification on its website to inform the market about suspension of buy orders if the limit exceeds 28 percent and for the resumption of purchase orders if the limit falls below 26 percent.

Investor Exposure to Trade Reversal for Breaching Aggregate Limits
Foreign investors may be required to sell the shares of HKEX in excess of the 5 percent foreign ownership limit.

Penalty Description
Investors that fail to comply may be subject to a fine of Hong Kong dollar (HKD) 1 million and/or up to two years of imprisonment.

Aggregation Description
There are both individual investor and aggregate foreign ownership limits for TVB stock. The ownership threshold for HKEX stock applies per individual investor.
Disclosure Requirements
Disclosure Thresholds

Disclosure requirements are stipulated within the Securities and Futures Ordinance (SFO) Part XV (Disclosure of Interests). According to the SFO, the conditions which would warrant disclosure of interest by an investor are as follows:

- When an investor first becomes a substantial shareholder or acquires an interest of 5 percent or more of the voting shares of a listed company;
- When the investors holding in the company’s voting shares falls below 5 percent and as such the investor ceases to be a substantial shareholder.
- Any subsequent change in the investor’s holding which results in a change over a whole percentage number (e.g. holdings decrease from 7.2 percent to 6.9 percent - crossing over 7 percent);
- When the investor changes the nature of interest such as options and lending shares;
- When an investor has a short position of more than 1 percent such as borrowing shares, derivatives as well as any subsequent change in the investor’s short position which results over a whole percentage number.

The Securities and Futures Commission also requires unit holders of Real Estate Investment Trusts (REITs) owning 5 percent or more of the REIT to notify the HKEX and the REIT manager within 3 business days of trade date. Any subsequent changes in ownership level must also be reported.

Stock Connect: Disclosure reporting is required once holding of the investor reach 5 percent. An investor and its concerted parties must aggregate their total holdings of A share, B share, H share, ADRs, and the equity components of convertible bonds to determine report obligations. The investor is responsible for calculating and tracking aggregate positions and submitting the shareholder disclosure report.

Bond Connect: There is no specific disclosure requirement or foreign ownership limit.

Reporting Authority
Disclosures must be made by the investor to the HKEX and the issuing company for listed shares, and HKEX and the REIT manager for REITs.

Stock Connect: The investor is required to submit a report in writing to the China Securities Regulatory Commission (CSRC), the applicable exchange and the issuer.

Disclosure Process
Investors must disclose their holdings to the HKEX and the company or REIT manager within 3 business days of the trade date for a purchase transaction and generally within 3 business days of the settlement date for a sale transaction.
It is the investor’s responsibility to monitor their holdings and issue the disclosure reporting if they meet one of the conditions outlined in the SFO for filing. Reporting is issued to HKEX as well as the issuing companies separately. The reporting can be made via post mail, electronic mail or fax.

**Stock Connect:** Disclosure must be made to the CSRC, the relevant stock exchange and the issuing company within 3 working days of reaching or exceeding the 5 percent threshold. In addition, the investor is required to advise the public through a CSRC approved media outlet such as the China Securities Journal, Securities Times and Shanghai Securities News. The issuing company can assist the investor in making the announcement through a CSRC approved media outlet.

The investor is prohibited from acquiring or disposing of the shares during the 3 day reporting period and for 2 days after the public announcement is made. Subsequent changes of the investor or concerted parties’ holdings by 5 percent or more must also be disclosed in the same manner as the original disclosure within 3 working days of the acquisition.

An investor and its concerted parties who acquire 5 percent or more but no more than 20 percent of shares issued by a listed company are required to submit a disclosure filing through the simplified shareholding movement report. If the investor is the largest shareholder or the actual controller of the listed company and acquired 5 percent or more but less than 20 percent, the detailed shareholding movement report must be prepared instead of the simplified shareholding report. An investor and its concerted party are required to submit a detailed shareholding report and make a public announcement if they become largest shareholder or actual controller of the listed company due to a reduction of share capital by the listed company.

Shareholding reports must be signed by either the legal representative (i.e., Chairman or CEO). However, the CSRC will accept a copy to be provided of the disclosure issued to meet the deadline, the followed by the original copies must be sent to them later via post mail.

**Short Swing Rule**
Article 47 of the Securities Law of China stipulates that, when any director, supervisor and senior manager of a listed company or any shareholder who holds more than five percent of the listed company’s shares sells the stocks of the company within 6 months after the purchase, or repurchase any stocks within 6 months after sale, the listed company has the right to recourse the profits generated from the purchase and sell transactions.

According to Article 195 of Securities Law of China, an investor who violates the above rule will be given a warning and can be imposed a fine between RMB 30,000 to RMB 100,000.
Disclosure Time Frame
Disclosure is required within 3 business days of the trade date for a purchase transaction and generally within 3 business days of settlement date for a sale transaction for listed shares. For a sale transaction, the disclosure report must be filed within 5 days of trade date. For situations where the settlement cycle is greater than 5 days, the investor is required to file two reports. The first report must be filed within 3 business days of the trade date and the second one within 3 business days of the settlement date.

For REITs, disclosure must be filed within 3 business days of trade date.

Stock Connect: Disclosure must be made to the CSRC, the relevant stock exchange and the issuing company within 3 working days (SD+3) of reaching or exceeding the 5 percent threshold. Subsequent changes of the investor or concerted parties’ holdings by 5 percent or more must also be disclosed in the same manner as the original disclosure within 3 working days of the acquisition. The investor is prohibited from acquiring or disposing of the shares during the 3 day reporting period.

Filing Entity
Disclosure must be filed by the investor.

Monitoring Process for Ownership Disclosure
Investors are required to monitor their holdings and make reporting as necessary.

Penalty Description
Failure to disclose is a criminal offense subject to either an indictment or summary conviction. Penalties are outlines in the SFO Part XV and stipulated the follow penalties and fines:

- If the offense is considered an indictment conviction the penalty is a fine of HKD 100,000 and imprisonment for two years.
- For a summary conviction, the penalty is a fine of HKD 10,000 and to imprisonment for six months.

Aggregation Description
The substantial shareholder is required to file at the aggregate level.

Stock Connect: The investor and its concerted parties must aggregate their total holdings of A share, B share, H share, and ADRs, to determine reporting obligations.
3. Market Profile

Security Types

Money-market Instruments
Certificates of deposit (CDs) with maturities of 2 to 6 years, commercial paper, and Exchange Fund Bills with maturities of 28, 91, 182, and 364 days (similar to treasury bills) are available. The 91-day Exchange Fund Bills are offered weekly, the 182-day Exchange Fund Bills biweekly, and the 364-day bills monthly. The minimum denomination for new bills is HKD 500,000. They are issued at a discount and priced on a yield-to-maturity basis. The money market is fairly active and liquid for local and foreign investors.

Government Instruments
Government debt is available to all investors without restriction. Foreign investors are allowed to participate in both the primary and secondary market through recognized dealers in Hong Kong. The Government of the Hong Kong Special Administrative Region (HKSAR) issues debt via multiple price auctions to recognized dealers. Auction dates are announced by the Hong Kong SAR government in January and July for the upcoming 6 month period starting in March and September.

In addition to Exchange Fund Bills, there are Exchange Fund Notes which are medium-term instruments with tenures of 2, 3, 5, 7, and 10 years. The notes are issued quarterly by the HKMA on behalf of the Exchange Fund. The minimum denomination is HKD 50,000. Interest is paid semi-annually. In the secondary market, they are traded cum-interest. Government bonds with maturities of 2 to 15 years and Supranational bonds with maturities of 10 years are also available. The government bond market is active.

Trading is conducted over-the-counter (OTC) for government debt in Hong Kong. Government debt instruments available in Hong Kong are government bonds, exchange fund bills and exchange fund notes. In addition, some exchange funds notes are listed on the Stock Exchange of Hong Kong (SEHK) which settle through the Central Clearing and Settlement system (CCASS).

Corporate Debt Instruments
Corporate bonds and loan stocks are available. Majority of corporate bonds mature in 1 to 5 years; but some have 1 to 10 year tenors.
Equity Instruments
Equities that trade on the HKEX include ordinary and preference shares, warrants, units, trusts, rights, “H” shares, and Red Chip Shares. “H” shares are People’s Republic of China (PRC) companies that list on the HKEX. Red Chip shares are Hong Kong-based companies that are majority owned by PRC entities.

Some stocks from the American National Association of Securities Dealers Automated Quotation system (NASDAQ) also trade on the HKEX as part of a NASDAQ-Amex Pilot Program with the HKEX. The HKEX also supports trading in exchange-traded funds (ETFs).

Depositary Receipts
Currently, Hong Kong SAR does not have a depositary receipt (DR) market; however, a number of Hong Kong SAR companies have issued DRs for trading in other countries. Most of the DRs issued by Hong Kong SAR companies are American Depositary Receipts (ADRs). Approximately 100 Hong Kong SAR stocks with ADRs are presently traded in the United States (US). A HKEX-listed company must appoint an ADR agent in the US if they want to issue ADRs or allow investors to convert their shares into ADRs. The ADR agent keeps the underlying shares with its subcustodian in Hong Kong SAR.

Other Financial Instruments
Stock options, derivative warrants, mainland related index futures, and ETFs also trade on the HKEX.

Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect
Stock Connect via the Northbound trading link provides international investors access to eligible A shares listed on the Shanghai Stock Exchange (SSE) or Shenzhen Stock Exchange (SZSE).

Bond Connect
Bond Connect via the Northbound trading link provides an additional channel for international investors to invest in the China Interbank Bond Market (CIBM). Securities eligible for bond connect are government bonds, corporate bonds, financial debentures, bond funds, short term commercial paper, private placement notes and asset backed securities/notes.

Overview
Hong Kong Exchanges and Clearing Limited (HKEX)
On March 6, 2000, the HKEX was officially established as a holding company for the exchanges and clearinghouse. The HKEX is the result of the merger between the Stock Exchange of Hong Kong (SEHK), the Hong Kong Futures Exchange (HKFE), and their respective clearinghouses. Although the merger provides for the exchanges and clearinghouses to become wholly-owned subsidiaries of the HKEX, the names and operations of the SEHK, HKFE, and clearinghouses are
distinct from one another. On June 27, 2000, the HKEX became a publicly-traded corporation when it was listed on the SEHK.

Stock Exchange of Hong Kong (SEHK)
The SEHK has been in operation since April 2, 1986, when Hong Kong SAR’s multiple exchanges were consolidated. The Securities and Futures Commission (SFC) regulates the SEHK, via the HKEX.

Securities listed on the SEHK include equities, corporate and government debt, warrants, unit trusts, and mutual funds. In addition, stock options, derivative warrants, and Chinese securities (“H” shares) trade on the exchange.

The SEHK operates two trading boards: the Main Board and the Growth Enterprises Market (GEM). Investors interested in the GEM must sign a risk disclosure statement with brokers, confirming their awareness of the risks associated with GEM transactions.

The United States National Association of Securities Dealers Automated Quotation System (NASDAQ) and SEHK have a dual-listing agreement, which permits securities listed on either exchange to be traded on both exchanges.

Hong Kong Futures Exchange (HKFE)
The HKFE has been in existence since 1976. Trading activity was minimal until the launch of the Hang Seng Index (HSI) futures contract in 1986. Instruments eligible for trading on this exchange include interest rate futures, stock options, and currency futures.

Over-the-counter Market (OTC)
Although an organized over-the-counter (OTC) market does not exist, fixed-income securities may be traded off exchange. Government debt is traded OTC for both primary and secondary market transactions which settle via the CMU.

Stock Connect
The Shanghai Stock Exchange (SSE) and Stock Exchange of Hong Kong (SEHK) established a link to allow mutual market connectivity for international investors to gain access via their respective markets. Shanghai-Hong Kong Stock Connect launched in November 2014 and in December of 2016, the Shenzhen Stock Exchange (SZSE) and SEHK mirrored the infrastructure in place for Shanghai-Hong Kong Stock Connect to provided international investors with increased access to the A shares listed on the SZSE.

Trading under Stock Connect is facilitated through different access models: Integrated and Enhanced (SPSA).

Integrated: Under the integrated model, the investor appoints the brokerage arm of a Hong Kong subcustodian as their sole broker for sale trades. This model allows the subcustodian to
maintain control of the assets throughout trading and settlement cycle; eliminating the pre-delivery requirement for sale trades.

Enhanced: The Enhanced Model removes the requirement to pre-deliver securities to the broker in advance of sale trade activity as required under the Traditional Model. The removal of the pre-delivery requirement is made possible by allowing investors to establish a special segregated account (SPSA) structure within the depository system supported by the HKSCC and CCASS. Although securities do not need to be pre-delivered to the broker prior to sale trade execution, securities are transferred from the investor’s SPSA to the broker’s clearing account maintained at HKSCC prior to the inter-broker clearing process. As soon as the securities are transferred to the brokers clearing account, the securities are no longer within the custodian chain. The broker is responsible for transferring the shares to their account at the HKSCC for settlement.

Bond Connect
The People’s Bank of China (PBOC) and Hong Kong Monetary Authority (HKMA) have established a link to allow international investors access to China’s Interbank Bond Market (CIBM). Previously, foreign investors had access to the CIBM market through complex market entry mechanisms such as QFII, RQFII, or CIBM Direct Scheme.

Trade Execution

Trading Method
Stock Exchange of Hong Kong (SEHK)
Trading is conducted electronically via the Automatic Order Matching and Execution System (AMS/3.8). Trades are placed via terminals on the floor of the SEHK or on off-exchange terminals directly linked to the AMS/3.8. All executed trades are reported on the counterparty’s trading terminals and then entered into the market via real-time data feed.

The SEHK rules regulate trading procedures, as well as the spread and variance between prices. Quotation rules and a scale of spreads regulate order quotes. Therefore, once prices have been set, the system of spreads comes into effect, which governs price fluctuations for the remainder of the trading day. The buying price for a board lot may not exceed four spreads from the preceding purchase price. For example, if the first order of the day is a “bid”, it must be higher or equal to the prior closing price minus four spreads. Conversely, if the first order is an “ask”, it must be lower than or equal to the prior closing price plus four spreads. The closing price is determined by using the median of last five orders executed during the last minute of the continuous trading session.

The SEHK does not have a formal a circuit breaker system; however, SEHK and SFC may suspend trading or cancel a security listing to protect the market.

Bond Connect:
• Northbound transactions: providing international investors access to Mainland China’s bond market.

Investors will send a request for quotation (RFQ) through the trading access platform, Tradeweb. The trade request will be routed to China Foreign Exchange Trading System (CFETS), and market makers will respond directly to CFETS regarding investor’s RFQ. Investors will have 30 minutes to accept the market makers’ RQF. If accepted, investors will confirm the price and the deal will be executed with CFETS. Once executed, the CFETS will transmit the trade information to the applicable CSD.

Block Trading is available for Bond Connect. Investors can allocate up to 30 different accounts for each RFQ to the market makers. The minimum tick size is RMB 100,000 while the maximum tick size is RMB 10,000,000. Odd numbers smaller than RMB 100,000 is not allowed.

Stock Connect:

There are two types of transactions:

• Northbound transactions: represent the investment by international investors in Mainland China’s securities.

• Southbound transactions: represent the investment by Mainland China’s investors in the Hong Kong market.

The SSE or the SZSE and SEHK will perform a pre-verification check of securities in the participant’s account at 8:15 a.m. before trading begins to confirm securities are available for sale trade activity. To support this check, on the sale side, international investors will be subject to pre-delivery of shares to their Hong Kong broker when using the traditional model. This is performed as market rules in Mainland China prohibit short sales. Under the SPSA model, pre-verification of securities within SPSA for sale transactions is performed by the Stock Connect trading system and as a result, pre-delivery of securities is not required under SPSA model. This is also eliminated under the Integrated model as the pre-verification process is completed through the exchange of files between the subcustodian and the subcustodian’s brokerage arm.

Hong Kong Futures Exchange (HKFE)

In April 1999, the HKFE installed a new automated system called the Hong Kong Futures Automated Trading System (HKATS). HKATS matches orders on price-time priority. Brokers may view trade execution real-time via terminals. Additionally, HKATS sends transaction details to the HKSCC for settlement. All electronically-traded HKFE products, including stock futures, rolling foreign exchange (FX) contracts, and red-chip futures and options, trade on HKATS.

The HKFE does not have a circuit breaker mechanism.
Trading Hours

Trading occurs Monday through Friday as follows (all times are local):

**SEHK Trading Hours**

<table>
<thead>
<tr>
<th>Session</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-opening Session</td>
<td>9:00 a.m. to 9:30 a.m.</td>
</tr>
<tr>
<td>Morning Session</td>
<td>9:30 a.m. to 12:00 p.m.</td>
</tr>
<tr>
<td>Extended Morning Session*</td>
<td>12:00 p.m. to 1:00 p.m.</td>
</tr>
<tr>
<td>Afternoon Session</td>
<td>1:00 p.m. to 4:00 p.m.</td>
</tr>
<tr>
<td>Closing Call Auction</td>
<td>4:00 p.m. to 4:10 p.m. (random closing between 4:08 p.m. to 4:10 p.m.)</td>
</tr>
</tbody>
</table>

*for extended trading securities only

Specific trading hours at the HKFE for futures and index options vary according to the product or instrument traded.

**Stock Connect**
The SEHK and SSE or SZSE must be open on both trade date and settlement date in order to trade through via Stock Connect. Trading will occur Monday through Friday when both the SEHK and SSE or SZSE are opened. Hours are as follows (all times local):

**Shanghai Stock Exchange (SSE)**

- Opening Call: 9:15 a.m. - 9:25 a.m.
- Morning Session: 9:30 a.m. to 11:30 a.m.
- Afternoon Session: 1:00 p.m. to 2:57 p.m.
- Closing Call: 2:57 p.m. to 3:30 p.m.

**Shenzhen Stock Exchange (SZSE)**

- Opening Call: 9:15 a.m. to 9:25 a.m.
- Morning Session: 9:30 a.m. to 11:30 a.m.
- Afternoon Session: 1:00 p.m. to 2:57 p.m.
- Closing Call: 2:57 p.m. to 3:00 p.m.

Stock Connect trading is subject to a quota system at the market level to control the pace of investment and size of cross-boundary fund flows. The quota system is based on a daily quota limit for Northbound transactions:

Daily quota: RMB 52 billion, calculated real-time
**Bond Connect**

Trading occurs Monday through Friday as follows (all times local):

- 9:00 a.m. to 12:00 p.m.
- 1:30 p.m. to 4:30 p.m.

Block Trading is now available to investors via TradeWeb for Bond Connect. Investor can select up to 30 different accounts in one Request for Quotation (RQF) to Mainland market makers. The minimum tick size is RMB 100,000 while the maximum tick size is RMB 10,000,000. No odd number smaller than RMB 100,000 for each allocation is allowed.

**Board Lots**

Board lots vary by security and range from 100 to 10,000 shares. Odd lots are usually sold at a discount. The lot sizes range from 10 to 100 shares for the securities traded under the NASDAQ-SEHK trading program.

Stock Connect: 100 shares for buys. Odd lot trading is only available for sale orders and all odd lots should be sold in one single order.

Bond Connect: Board lots on CIBM for bilateral trades are 1000 units, each with a face value of RMB 100.

**Securities Identification**

International security identification numbers (ISINs) are used to identify all securities. CSDCC is the numbering agency for Mainland shares, A and B shares, as well as Hong Kong, H shares. The Central Moneymarkets Unit (CMU) will generate CMU instrument numbers for Bond Connect eligible securities which will consist of the local Chinese codes affixed with either “CD” or “SH”. ISINs are issued for CIBM listed securities however not all securities have assigned an ISIN and will continue to utilize local codes.

**Fees, Costs, and Commissions**

The following fees apply to stock exchange transactions:

- **Stock Exchange Levy**: The stock exchange levy is 0.0027 percent of the transaction value (rounded to the nearest cent) payable by both buyer and seller to the SFC.

- **Ad Valorem Stamp Duty on Contract Note**: The stamp duty for all change in beneficial ownership transactions is 0.2 percent (0.1 percent per side of the transaction). Any fraction of Hong Kong dollar (HKD) 1.00 in *ad valorem* stamp duty payable on any stock transaction is rounded up to the nearest HKD 1.00. It is payable on the contract note for any stock exchange transaction by both the buyer and seller. Stamp duty is waived for all Hong Kong listed ETFs regardless of the composition of their underlying portfolios.
• **Brokerage Commission:** Brokerage fees are fully negotiable paid by both buyer and seller. The fee is usually 0.5 percent of the transaction value with a minimum charge of HKD 100.

• **Transfer Deed Duty (for non-CCASS transactions only):** HKD 5.00 per transfer deed applies for physical stocks. It is payable by the seller and collected by the registrars.

• **Trading Fee:** A 0.005 percent trading fee is assessed and paid by the buyer and seller of each transaction.

• **Futures and Options Transactional Fee:** Specific trading fees vary for each product.

For government bonds, exchange fund bills and exchange fund notes, the brokerage fee is fully negotiable and may be either included in the settlement amount or collected separately. In addition, a CMU transaction fee of HKD 20 applies to CMU against payment and free of payment transactions. Exchange fund bills and exchange fund notes are exempt from the CMU transaction fees. Clearing House Automated Transfer System (CHATS) payments are assessed HKD 40. Typically, these fees are collected through foreign investor’s monthly custody invoice.

The following fees apply to northbound trading via the Stock Connect:

• Handling Fee: 0.00487 percent of the transaction value applicable to both the buyer and seller.

• Securities Management Fee: A fee of 0.002 percent of the transaction value will be assessed on both legs of the transaction.

• Stamp Duty: A 0.01 percent stamp duty fee will apply. This is payable by both the buyer and seller.

• Transfer Fee (ChinaClear): A transfer fee of 0.002 percent of the transaction value, payable to ChinaClear is applied to both the buyer and seller.

• Transfer Fee (HKSCC): A transfer fee of 0.001 percent of the transaction value, payable to HKSCC is applied to both the buyer and seller.

**Turnaround Trading**

Turnaround trades are legal and market practice.

**Short Selling**

Short selling is legal through registered brokers only. The HKEX designates which securities are eligible for short selling and regularly revises the list of eligible securities.

The securities must meet the following criteria to be considered for short selling:

• The security must be a component of one of the following approved indices: *Hang Seng Index, Hang Seng Mid Cap 50 Index, Hang Seng 100 Index, Hang Seng China Enterprises Index,* and *Hang Seng China-Affiliated Corporations Index.*

• The security must satisfy the market capitalization and liquidity requirements for the issuance of single-stock or basket-derivative warrants.
SEHK requirements for participation in short selling include the following:

- Participants who sell short are mandated to maintain ledgers on the current details of all short-selling activity for both their own accounts and the accounts of their clients. These ledgers must be available to the SEHK, HKSCC, or the SFC for review upon request.
- Only specially-designated securities may be sold short. Trades must be executed through the trading system or through direct business transactions.
- Investors executing short sales must inform the broker that the order is a short sale and have acceptable stock borrowing arrangements in place prior to the execution of the trade to assure timely settlement.

Selling placement shares prior to completion of the placement may result in criminal prosecution. Placing shares are deemed to be conditional until the placement has been concluded. As a result, an investor may only sell shares of the issuing company participating in the placement prior to the completion of the placement if that investor already holds a quantity of unconditional shares sufficient to cover the sale order. Under the terms of the SFO, any investor deemed to be illegally short selling is subject to a maximum fine of Hong Kong dollar (HKD) 100,000 and two years’ imprisonment if convicted.

Stock Connect:
Covered short selling of SSE and SZSE securities which are eligible for both buy orders and sell orders through Northbound trading is allowed subject to a number of requirements set by SSE and SZSE. The list of eligible securities may be accessed via the following link to the website of the HKEX:


Securities Lending
Securities lending is market practice. Authorized brokers can perform stock borrowing and lending after the lender and the borrower endorse the securities lending arrangement at a negotiated price and collateral amount. Investors typically borrow or lend securities to prevent failed trades. Lending in Hong Kong securities is exempt from stamp duty, subject to the following conditions stipulated under the Stamp Duty Ordinance:

- The securities borrowing and lending agreement must be filed with local tax authorities.
- Securities may be borrowed for no more than one year.
- Borrowing must be only for one of five “specified purposes.” This also covers repurchase transactions.
In order to participate in stock borrowing or lending, the SEHK stipulated that each member participant must maintain proper records, sign a securities borrowing and lending agreement, receive collateral of at least 100 percent of the value of the securities out on loan (105 percent is required to cover short sales), and perform a daily mark-to-market on all borrowing and collateral.

The Hong Kong Securities Clearing Co. (HKSCC) operates a compulsory stock borrowing and lending system for interbroker settlement. Stock borrowing compulsory is for brokers unable to fulfill transactions on the trade date (T)+2, which is settlement date (SD). The HKSCC acts as the sole borrower and borrows directly from lenders in order to fill settlement obligations to the buying Continuous Net Settlement (CNS) system broker participants on T+2. All CCASS-eligible stocks are eligible for borrowing by the HKSCC. Short CNS broker participants who fail to deliver shares to CCASS on T+2 are subject to compulsory buy-ins on T+3.

**Stock Connect**
SBL to facilitate short selling is permitted but limited to those SSE and SZSE securities which are eligible for both buy orders and sell orders through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. Securities that are only eligible for sell orders are excluded. SBL in order to meet the pre-trade checking requirements will cover all SSE and SZSE securities, including securities that are only eligible for sell orders through Shanghai-Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect.
4. Settlement and Clearance

Clearinghouse, Central Depository, and Central Registrar

Overview

Hong Kong Securities Clearing Company (HKSCC)
The Hong Kong Securities Clearing Company (HKSCC), a for profit company, was incorporated in May of 1989, and began operations as the market’s central depository for securities traded on the HKEX in June 1992. In January 1996, the HKSCC began operating the Central Clearing and Settlement System (CCASS). The HKSCC offers nominee and registration services through its wholly-owned subsidiary, HKSCC Nominees Ltd. In August of 2000, the HKSCC, via CCASS, launched systems to permit the settlement of securities against the US dollar (USD).

Trading participants of the SEHK are required to settle transactions in eligible securities through the CCASS. Use of the HKSCC is not compulsory by law, as certain securities remain in physical form and are ineligible for CCASS settlement. All new issues must qualify for book-entry settlement through CCASS. Eligible instruments include ordinary and preference shares, warrants, fixed-income securities, exchange-traded funds, unit trusts, Exchange Fund Notes, and OTC structured products such as Equities-linked investment (ELIs) and equity-linked notes (ELNs). Certificates are registered in the name of HKSCC Nominees Ltd.

CCASS has the ability to settle securities transactions against the United States dollar (USD). Although all securities listed on the Hong Kong Stock Exchange (HKEX) are listed in and settled against Hong Kong dollar (HKD), USD settlement permits Hong Kong and Chinese companies to issue shares denominated in USD. Issuers may list “H” shares in other currencies, including USD. Trading and settlement of “H” shares are conducted in the currency in which the security is listed. The Hong Kong Monetary Authority (HKMA) has a USD clearing system, which allows USD-denominated check payments on the SEHK to clear next-day.

CCASS allows participants to manage collateral electronically and provides support for an extensive range of ISINs and BIC codes. The HKEX has a direct, electronic connection to CCASS/3, which facilitates the straight-through processing of CCASS settlements.

The China Securities Depository and Clearing Corporation Limited (CSDCC), the central depository for listed securities in China, is also a clearing agency participant of CCASS.

Stock Connect
Under Stock Connect, market entities are participants of the Hong Kong Securities Clearing Company Limited (HKSCC) and the HKSCC is a participant of the China Securities Depository and Clearing Corporation Limited (ChinaClear) in Mainland China. Market participants hold China Connect Securities in their participant account with the HKSCC, subject to the HKSCC’s rules and procedures. The HKSCC holds assets with ChinaClear as a nominee holder in the HKSCC’s
participant account at ChinaClear, subject to ChinaClear’s participant rules and procedures in accordance with relevant rules and regulations of Stock Connect. The HKSCC and ChinaClear operate as market infrastructure entities in relation to Stock Connect. The CSDCC is also a clearing agency participant of CCASS.

**Bond Connect**
Settlement and clearing services for international investors will be facilitated by the China Central Depository and Clearing Co. Ltd. (CCDC) or Shanghai Clearing House (SCH) in China. The CCDC and SCH will be the principal depositories while the Central Moneymarkets Unit (CMU) will act as a secondary depository. The CMU will maintain omnibus nominee securities in the name of the Hong Kong Authority (HKMA) at the SCH and CCDC, and the CMU will maintain cash account in the name of the HKMA at Bank of China. Funding will be facilitated directly by Bank of China with the onshore market maker’s settlement bank. Eligible securities at the CCDC include government bonds, corporate bonds, financial debentures and bond futures. Eligible securities at the SCH include short term commercial paper, private placement notes and asset backed securities/notes.

**Central Moneymarkets Unit (CMU)**
The CMU was established in March of 1990 by the Hong Kong Authority (HKMA) to provide computerized clearing and settlement facilities for Exchange Fund Bills and notes. The CMU began to operate as a central settlement and central clearing system for Hong Kong debt instruments issued by private sector issuers in January 1994. The CMU now holds all fixed income public and private securities. Online, real-time links with the CMU are available for participants with CMU terminals. The CMU also performs clearing, settlement, and safekeeping services for United States (US) Treasury Securities.

The CMU has a two-way, fully-automated, direct link with Clearstream. The link allows Asia-based investors to settle Clearstream-eligible debt during the Asian working day through their CMU accounts. The HKMA has a euro (EUR) clearing system, which maintains a seamless interface with CMU, allowing these transactions to settle delivery versus payment (DVP).

**US Rule 17f-7 Compliance**
Hong Kong Securities Clearing Company (HKSCC) acts as or operates a system for the central handling of securities or equivalent book entries in its country of incorporation. All securities of a particular class or series of any issuer deposited in this institution are treated as fungible and can be transferred or pledged by bookkeeping entry without physical delivery of the security.

This institution operates under the authority of the Securities and Futures (Clearing Houses) Ordinance of 1974. It is regulated by Securities and Futures Commission (SFC), a governmental body or regulatory organization empowered to administer or enforce laws related to securities matters. This institution is subject to periodic examination by regulatory authorities and independent accountants. Assets of foreign investors held by participants are under safekeeping conditions no less favorable than the conditions that apply to other participants.
Records are maintained that identify the assets of each participant and segregate this institution’s own assets and liabilities from the assets of participants. Periodic reports are issued to participants with respect to its safekeeping of assets, including notices of transfers to or from the participant’s account.

The Central Moneymarkets Unit (CMU) acts as or operates a system for the central handling of securities or equivalent book entries in its country of incorporation. All securities of a particular class or series of any issuer deposited in this institution are treated as fungible and can be transferred or pledged by bookkeeping entry without physical delivery of the security.

This institution operates under the authority of the Hong Kong Monetary Authority (HKMA). It is regulated by the HKMA, a governmental body or self-regulatory organization empowered to administer or enforce laws related to monetary policy.

This institution is subject to periodic examination by independent accountants. Assets of foreign investors held by participants are under safekeeping conditions no less favorable than the conditions that apply to other participants. Records are maintained that identify the assets of each participant and segregate this institution’s own assets and liabilities from the assets of participants. Periodic reports are issued to participants with respect to its safekeeping of assets, including notices of transfers to or from the participant’s account.

**Security Form**

CCASS-eligible securities are held in immobilized form. The remaining securities are in physical form, held by individuals or subcustodian banks; physical securities, however, are rare. Certificates can be withdrawn from CCASS and held physically.

The CMU holds government bonds immobilized in bearer form and exchange fund bills and exchange fund notes in dematerialized form. Immobilized certificates are safekept with the CMU’s appointed agent, Hong Kong and Shanghai Banking Corp. Ltd. (HSBC). Physical certificates are either in jumbo certificates or bearer form at the CMU’s appointed subcustodian, HSBC. There is no regulation prohibiting the withdrawal of certificates; however, the CMU does not allow an investor to do so.

**Stock Connect**

All listed “A” shares listed on the SSE or SZSE are held in dematerialized form at the CSDCC.

**Bond Connect**

Securities deposited at the CCDC and SCH are in dematerialized form.

**Participation**

CCASS participants include: brokers, clearing agencies, custodian banks, trust companies, and finance companies. Non-broker registered dealers and clearing agencies. Participants have online links with the depository.
CMU participants are members of the Hong Kong Capital Markets Association and other authorized Hong Kong institutions and exempt dealers as defined in the Securities Ordinance. Membership includes banks and other institutions, including registered dealers authorized under the Banking Ordinance, and exempt brokers, as defined by the Securities Ordinance.

Exchange participants are permitted to appoint third party agents to clear and settle on exchange trades. Therefore, participants are not required to become members of the HKSCC for clearing and settlement.
Settlement

Settlement Period
Settlement for CCASS-eligible instruments occurs on trade date (T)+2.

Stock Connect
Securities settle on T+0; cash settles between HKSCC and ChinaClear on T+1. Settlement can be versus payment in multiple currencies (CNY, HKD and USD), or free of payment (FoP).

Due to the fact that China A shares follow the same settlement cycle of T+0 for securities and T+1 for cash, pre-funding of the offshore Chinese renminbi (CNH) is generally required for purchase to prevent cash settlement failure. The investor and broker negotiate the timeframe for when cash settlement occurs between T-1 to T+1. Depending on the value date arrangement between the broker and investor, CNH may need to be pre-funded on T-1 or morning of T.

The SSE or SZSE and SEHK will perform a pre-verification check of securities in the participant’s account at 8:15 a.m. on T day before trading begins to confirm securities are available for sale trade activity. To meet this requirement, international investors will be required to pre-deliver shares to their Hong Kong broker. The Hong Kong broker must have the shares in their account in order for sale trade orders to be executed.

Some local Hong Kong banks offer an integrated brokerage and custody solution, also known as a “direct model” or “integrated model” where the client trades through the brokerage arm of their local subcustodian bank and the subcustodian maintains control of the client’s assets throughout the trading and settlement cycle. This is possible as the subcustodian performs third party clearing for their brokerage arm and can identify sub-accounts to the stock exchange for the purpose of confirming share availability for Stock Connect on a given trading day.

Under the Integrated model, subcustodian processes the settlement of Stock Connect transactions through a synthetic delivery versus payment (DVP) model where both cash and securities are processed simultaneously on the subcustodian’s books on T+0 at 6:00 p.m. local. The brokerage arm of the subcustodian receives reporting from the subcustody division which reports client holdings of Shanghai-Hong Kong Stock Connect and Shenzhen Hong Kong Stock Connect in their safekeeping account, thus eliminating the need to pre-deliver the securities to the broker.

Under the SPSA Enhanced, investors need to provide the investor ID to authorized brokers in sales order. Pre-verification of securities for sale transactions is performed through the HKEX’s China Stock Connect trading system to ensure sufficient securities are available in the investor’s SPSA and the broker placing the order is authorized to execute sale trade orders on the account. Investor ID is not applicable for purchase under SPSA model.
Hong Kong Fixed Income Market  The settlement period for government bonds, exchange fund bills and exchange fund notes can be negotiated with the broker; typically these transactions settle on T+1.

Bond Connect
Securities settlement cycle is negotiable and can settle on T+0, T+1, or T+2. Expectation is market practice will evolve to T+1 or T+2 settlement cycle.

Prematching

CCASS
CCASS receives all exchange trade information, as well as any amendments, from the SEHK daily. Brokers can retrieve a provisional clearing statement after 6:00 p.m. local time on T, and a final report after 2:00 p.m. local time on T+1.

Matching for direct participants in CCASS occurs automatically on T+1. Matching for indirect participants begins on T+1. For physical settlement, counterparties prematch by telephone on T+1.

CCASS has an automated prematching and matching system. The system performs three prematching runs on T+1 (all local times) at 3:45 p.m., 5:00 p.m., and 6:00 p.m. There are also seven matching runs conducted at 9:30 a.m., 10:00 a.m., 11:30 a.m., 1:30 p.m., 2:30 p.m., 3:15 p.m., and 3:45 p.m. local time for trades settling that day. Once a settlement instruction is matched through one of the prematching runs on T+1 or a matching run on SD, the instruction will be forwarded for processing in the settlement runs. Although use of the CCASS prematching system is voluntary for participants, a majority of the market utilizes the system.

CMU
Pre-matching is performed for CMU transactions. The selling and buying participants pre-match instructions via phone or fax before entering the settlement instruction into the CMU terminal. Both the delivering and the receiving party must input the settlement instructions into the CMU terminal between 9:00 a.m. and 4:00 p.m. local time on settlement date (SD), selecting whether settlement is to occur via the real-time or end of day processing mode.

Netting
SEHK participant transactions settled through the Continuous Net Settlement (CNS) cycle of CCASS are settled on a multilateral net basis for both cash and securities. All indirect participant trades are settled trade-by-trade.

Settlement of CMU trades can occur on a trade-by-trade or net basis. It is market practice for trades to settle via the CMU’s end-of-day processing system which is completed on a
multilateral net basis. The real time settlement mechanism which is completed trade-by-trade is only market practice for Exchange Fund Bills and Exchange Fund Notes (EFBNs).

**Same-day Funds**

Hong Kong Monetary Authority’s (HKMA) RTGS payment system provides for same-day, final and irrevocable funds for HKD, USD, EUR, and CNH transfers between participants. Same-day, final, and irrevocable funds are also available for “real-time” delivery-versus-payment (RDVP) via CCASS and CMU settlements; however, it must be agreed by the counterparty.

The CHATS payments through Hong Kong Interbank Clearing Limited receive same-day value but are not final and irrevocable until 12:00 p.m. local time the following day. Security settlements through the SI mechanism in CCASS processes HKD cash instructions through CHATS. Subcustodians reserve the right of reversal, as payment is not final until 12:00 p.m. local time on settlement date (SD) +1 since cash settlement is completed in an overnight batch process.

**Settlement Process and DVP Issues**

The Committee on Payment and Settlement Systems of the Bank for International Settlements (BIS) has identified three common structural approaches, or models, for linking delivery and payment in a securities settlement system. Click here for the definitions of the three BIS models.

**CCASS Settlements**

CCASS offers three basic settlement systems:

1. Direct participants settle transactions through the CNS system on T+2, where the HKSCC is counterparty to all transactions.
2. Indirect participants utilize the Settlement Instruction (SI) mode for settlement.
3. The HKSCC offers an RDVP option for settlement in the SI mode.

HKSCC does not guarantee settlement of broker-to-custodian or custodian to custodian trades.

**Equities and fixed-income securities (SEHK-listed) are traded on-exchange and settled by book-entry through CCASS’s non-delivery-versus-payment (DVP) system, following a process that most closely resembles BIS Model 1.**

Non-DVP settlement at CCASS is similar to BIS Model 1, in that both cash and securities settlement is effected gross directly between participants involved. However, non-DVP settlement differs from BIS Model 1, since settlement of cash and securities is not simultaneous. Cash settlement is effected through Hong Kong Interbank Clearing Ltd. (HKICL) at the end of SD. Participants must enter settlement instructions (SI) in to CCASS. SIs are subject to matching through CCASS’ daily matching runs.
Settlements are completed through four daily settlement runs (10:30 a.m., 12:00 p.m., 2:00 p.m., and 3:45 p.m. local time) performed by CCASS under the SI settlement mode.

CCASS transfers securities by book-entry between participant accounts and posts a corresponding cash ledger entry to the participant’s accounts. HKSCC initiates a cash payment instruction for the end of day cash settlement amount to HKICL for processing through CHATS between participant accounts. Security movements are final and irrevocable upon completion of settlement in CCASS; cash is final and irrevocable until end of day on SD.

**Equities and fixed-income securities are traded on-exchange and settled by book-entry through CCASS’s RDVP system, following a process that most closely resembles BIS Model 1.**

This settlement process follows BIS Model 1, as it features trade-for-trade settlement of both cash and securities, though settlement is not simultaneous. There are no batch settlement runs for RDVP settlement. CCASS settles matched RDVP transactions throughout the day until the final CHATS payments are completed at 3:30 p.m. local time. In the RDVP system, the securities and cash settlement systems are linked so that securities are only delivered to the buying participant’s stock account upon receipt of payment confirmation. On settlement date for matched RDVP transactions, CCASS blocks available securities in the selling participant’s stock account and sends an electronic payment instruction to the buying participant. The buying participant then authorizes payment through CHATS. Once funds are transferred, an electronic confirmation is forwarded to CCASS via CHATS. CCASS then moves the shares from the selling participant’s stock account to the buying participant’s stock account. If the payment cannot be confirmed to CCASS by 3:30 p.m., CCASS will unblock the shares in the selling participant’s account and the trade will likely fail to settle.

**Stock Connect**

There are multiple legs of the settlement process (all times local):

1.) Securities settlement occurs on T+0 by 6:00 p.m. in China between CCASS and CSDCC
2.) HKSCC settles the transaction with its Hong Kong participant (subcustodian) on T+0 by 7:00 p.m. T+0.
3.) The subcustodian settles the securities transaction with client by 7:30 p.m. on T+0
4.) On T+1 by 12:00 p.m. cash settlement is facilitated via the CNH between CCASS and China’s designated payment bank.

Investors settle the securities transaction free of payment (FoP) or DvP offshore CNY (CNH), HKD, or USD

There are two methods to access Stock Connect—Integrated Model and Enhanced (SPSA) Model.
Under Integrated Model, the settlement of Stock Connect transactions will occur through a synthetic delivery versus payment (DVP) model where both cash and securities are processed simultaneously.

The Enhanced Model, the Stock Connect trading system will ensure sufficient securities are available in the investor’s SPSA and the broker placing the order is authorized to execute sale trade orders on the account. As a result, pre-delivery in a sell trade will not be necessary. Other settlement procedures are the same with those of Traditional Model.

**Integrated or settlement process (all local times)**

For buy trade, the investor issues trade order to the broker who executes trade via trading link between SEHK and SSE or SZSE. By 6:00 p.m. on T day, CSDCC processes security settlement through the HKSCC’s nominee holder account. Cash settlement between CSDCC and the HKSCC occurs on T+1 by 12:30 p.m.

Between 5:30 p.m. and 7:00 p.m. on T day, HKSCC settles securities with Hong Kong participants. Broker sends settlement instructions for stock connect transaction to subcustodian for settlement processing.

By 7:00 p.m., the subcustodian performs synthetic DVP settlement of cash and securities through the client’s account based instruction received from the broker.

For sell trade, the investor issues trade order with the broker. Before 8:30 a.m. on T day, subcustodian sends secure file to the broker which details the stock connect securities held by the client. Broker validates client holds the position before entering trade order into the trading link between SEHK and Shanghai Stock Exchange (SSE) or Shenzhen Stock Exchange (SZSE) and released a trade confirmation to the investor.

Enhance SPSA Model has two settlement methods: Standard DVP and Real-Time Delivery (RDVP).

Securities settlement occurs on T+0, followed by cash settlement on T+0 or T+1. Under the Standard DVP settlement, investors must initiate a sell order with an authorized broker. By 8:45 a.m. (all local times) on T+0, CCASS takes a snapshot of securities holdings in investor’s SPSA account to facilitate pre-trade security validation. Upon receipt of a sale order, the Stock Connect trading system verifies that the executing broker is linked to the investor’s SPSA account and sufficient availability of securities to fulfill sale order. Broker executes the trade via trading link between SEHK and Shanghai Stock Exchange (SSE) or Shenzhen Stock Exchange (SZSE) and released a trade confirmation to the investor.

At 4:00 p.m., HKSCC issues final settlement report to Hong Kong participants. Local subcustodians will instruct the delivery of securities from investor’s SPSA account to the broker’s clearing account within the HKSCC. There are batch settlement runs which occur at 5:30 p.m., 6:15 p.m., 7:00 p.m. and 7:45 p.m. on to support deliveries of securities from SPSA accounts to broker clearing account at HKSCC.
For eligible RMB settlement via designated banks/brokers, the Hong Kong Interbank Clearing Limited (HKICL) processes cash clearing between counterparties during the 9:25 p.m. settlement run; cash is deemed final by 10:00 p.m. If cash is not received on T+0 at 9:25 p.m.; final credit will not occur until T+1 at 5:30 p.m. If not eligible for 9:25 p.m. batch on T+0 (settlements in USD, HKD or via non-designated banks/brokers), the HKICL processes cash clearing between counterparties and cash received on T+0 is on deemed final by 9:30 a.m. on T+1.

Under the RDVP settlement process, investors must initiate a sell order with authorized broker. On T+0, CCASS takes a snapshot of securities holdings in investor’s SPSA account to facilitate pre-trade security validation. Upon receipt of a sale transactions, the Stock Connect trading system verifies that the executing broker is linked to the investor’s SPSA account and sufficient availability of securities to fulfill sale order. Broker will then execute a trade via the trading link between SEHK and Shanghai Stock Exchange (SSE) or Shenzhen Stock Exchange (SZSE) and issues a trade confirmation to the investor.

On Settlement Date, CCASS blocks available securities in the selling participant’s securities account and sends an electronic payment instruction to the HKICL after each prematching batch (4:45 p.m., 5:30 p.m., and 6:15 p.m.) The buying participant authorizes payment through CHATS. Once funds are transferred, an electronic confirmation is sent to CCASS via HKICL. CCASS unblocks the position and moves the shares from the selling participant’s securities account to the buying participant’s securities account between 4:45 p.m. and 7:45 p.m.

Bond Connect

Settlement Process
Settlement is considered controlled DVP and securities and cash movements are settled gross with a linkage but not real time. Prior to 12:00p.m. on settlement date (SD), participants send the investor’s settlement instructions to the CMU. The CMU will affirm the instructions in the SCH’s or CCDC’s system once CFETS trade reference number is included on Tag 70E in the settlement instruction, the settlement details match between the CMU participants and the market maker in the SCH’s or CCDC’s system, and the CMU validates there is a sufficient position in the investor’s segregated CMU account for sales trade and sufficient funding for purchase trade. Once affirmed, the SCH and CCDC system will automatically block the security position in the seller’s account and assign a Settlement Contract Number (SCN).

Cash Settlement
By 12 :00 p.m., the CMU participant will remit funds to the CMU. The CMU will transfer the funds into the CMU’s omnibus cash account at the Bank of China. Once the trade is affirmed, the CCDC or SCH will initiate a payment request through CIPS to debit the CMU cash account and credit the market maker’s cash clearing account for purchase trade. For sale trade, CCDC or SCH will initiate a payment request through CIPS to credit the CMU cash settlement account.
Securities Settlement
The SCH or CCDC will initiate securities settlement once sufficient cash is available in the buyer’s account for affirmed trades. The securities settlement will be processed in gross amount by the SCH and CCDC between 12:00 p.m. to 5:00 p.m. The CMU settlement confirmation will be released to the participant between 5:00 p.m. to 6:00 p.m., and then the CMU participant will settle the transaction on their books and records.

CMU Settlements
CMU-eligible fixed-income instruments are traded and settled by book-entry at CMU, following a process that resembles BIS Models 1 and 3.
This settlement process follows BIS Models 1 and 3, as participants may choose between real-time, gross settlement or end-of-day processing net settlement. The majority of transactions executed via end of day processing. The CMU system will check for securities and cash availability at 4:00 p.m. local time on SD when it begins to calculate the net amount for each participant. If sufficient cash and securities are available, RTGS effects the movement of both cash and securities between 4:00 p.m. and 4:30 p.m. on SD.

Although not as common, transactions may also settle via the real-time processing mode whereby the CMU RTGS effects the simultaneous movement of both cash and securities throughout the day between 9:00 a.m. and 6:30 p.m. local time on a gross basis.

5. Registration

Registration Period
Registration is automatic and immediate once the book-entry transfer is processed in CCASS and CMU.

Physical share registration takes 10 days, though physical shares are extremely rare. Express registration is available at an additional cost and subject to approval by the share registrar.

Process
Registration is automatic and immediate upon settlement for trades settling through CCASS and CMU.

For physical registration, the custodian manually transfers securities to the registrar. A transfer deed is attached to each share certificate, unless the receiving broker consents to only one transfer deed for all securities. The transfer deed must include the signatures of the seller and buyer or that of the representative nominee company. Before share certificates can be sent for registration, an ad valorem stamp duty must be paid, in the amount of 0.2 percent (0.1 percent per side of each transaction). Any fraction of HKD 1.00 in ad valorem stamp duty
payable on any stock transaction is rounded up to the nearest HKD 1.00. Payment is the responsibility of the broker and custodian.

In addition, the following registration fees apply:

- HKD 5.00 per transfer deed
- HKD 2.50 per registered board lot
- HKD 2.50 for each odd-lot certificate, when the investor trades sufficient lots to total one board lot

**Restrictions on Sale and Settlement During Registration**

For trades settled in CCASS and CMU, registration is immediate upon settlement. Therefore, shares may be sold immediately upon settlement. Physical shares are unavailable for sale during registration.

**Registration in Nominee Versus Beneficial Owner’s Name and Title**

Securities held at CCASS are registered in the name of HKSCC Nominees Ltd. Physical shares are usually registered in the nominee name of the subcustodian but may also be registered in the name of the beneficial owner.

Securities held at the CMU are either in immobilized or dematerialized form. Securities are held in omnibus account in the name of the participant. The participant’s records indicate ownership at the beneficial owner level.

**Mandatory for Foreign Investors**

Security registration is not mandatory but recommended, since registration is necessary for shareholders to claim entitlements. The majority of shares in Hong Kong SAR are registered and registered immediately upon settlement.

**Fails, Penalties, and Buy-ins**

**Buy-ins**

**CCASS**

Buy-ins are mandatory beginning at 9:30 a.m. local time on trade date (T)+3, for brokers defaulting in the continuous net settlement (CNS) system.

**HKSCC**

Penalties are levied on brokers who have not covered their settlement obligations by the end of T+2. The HKSCC forces a buy-in at 9:30 a.m. local time on T+3; the defaulting broker is responsible for the purchase cost of the shares and all buy-in related costs. The HKSCC accepts requests from broker participants to send buy-in notification on T+2, prior to the mandatory T+3 buy-in date.
Brokers who have not met their settlement obligations by the end of T+2 are subject to a fine payable to the HKSCC of 0.50 percent of the short shares’ closing price as of T+2. The HKSCC permits participants to apply for an exemption from the compulsory T+3 buy-ins and related penalties.

Participants applying for the exemption from a buy-in have to submit an application form to HKSCC by fax no later than 8:00 p.m. local time on T+2. Any late applications received by the HKSCC will be rejected. All evidence required for exemption situations must be submitted no later than T+6. If HKSCC fails to receive the relevant supporting documents by the stipulated deadline, the relevant broker participant may be subject to disciplinary action as determined by the Disciplinary Committee.

**Stock Connect**

The SSE or SZSE and SEHK will perform a pre-verification check of securities in the participants account or in the SPSA account before trading begins to confirm securities are available for sale trade activity for northbound transactions. Buy-ins are only applied to the inter-broker settlement leg. A buy-in will be imposed on T+1 when a broker does not deliver securities on T+0. The buy-in carries a fee of 1 percent of the settlement value (based upon the market closing price) subject to a maximum fee of HKD 200,000 for each corresponding short position. The delivery of securities out of a client's SPSA to the broker is considered to be an OTC transaction, and therefore no buy-in will be performed on the broker-custodian leg if the client's SPSA account does not deliver securities. However, the client's securities are required to settle the inter-broker trade and in that regard, if the SPSA does not deliver securities to satisfy the inter-broker settlement, the broker may pass along any buy-in costs that are incurred.

CCASS rules allow for the freezing of positions in a CCASS account in the event of a failed settlement. Under the Integrated Model, the client's assets are held in the subcustodian's account at the CCASS. Under the Enhanced Model, the client's assets are held in a segregated sub-account (SPSA) under the subcustodian's CCASS account. With the Integrated Model, the broker will verify sufficient positions are available to settle a sale transaction prior to the broker executing the sale. Buy-ins are therefore only directly applicable to investors executing trades via the Enhanced Model in the event that the investor fails to deliver the securities to the broker necessary to settle a sale.

In the event of a settlement failure the HKEx will either block positions in the broker's CCASS account or reduce the sellable quantity in the investor's SPSA depending on which party was at fault for the non-delivery (to prevent overselling the position that subject to the fail). The reduction of the sellable quantity in the investor's SPSA is only applicable for transactions executed via the Enhanced Model. If the non-delivery was the broker's fault, the HKEx will block all lines of the security that were not delivered. Therefore, this situation would impact all of the broker's clients who are holding the same line.
If the failed settlement is due to the investor's failure to deliver, the broker may request the HKSCC to take action against the investor's SPSA and not the broker. Subject to approval from the HKSCC, the quantity of securities that were short on T+0 will be reduced from the sellable quantity in the account for the next trading day. No shares are blocked in the SPSA and the usual buy-in will be enforced on the broker on T+1. If the broker does not make an application regarding the shortfall, their account will be frozen for the defaulting security and no impact on the SPSA.

There are cash close out procedures, though they apply to brokers and not to the underlying investor. In the event of a cash close out for the lack of cash to settle a trade, cash contributions that the broker and the HKSCC have made to various funds will be utilized. The contributions include collateral, admission fees, the Mainland Settlement Deposit, as well as the Basic Contribution and Dynamic Contributions to the Guarantee Fund.

CMU
There are no buy-in and/or sell-out procedures for government bonds in Hong Kong or Bond Connect.

**Fails and Penalties**

**CCASS**
According to the HKSCC, the equity fail rate is roughly 2 percent. The fail rate for corporate debt securities is estimated at 1 percent. Brokers with unmet settlement obligations by the end of T+2 are subject to a HKSCC buy-in fine equal to 0.50 percent of closing price on T+2 of the shares the broker is short. The SEHK will automatically buy-in any broker who has not met their obligations in the continuous net settlement (CNS) system. The HKSCC forces a buy-in at 9:30 a.m. local time on T+3; the defaulting broker is responsible for the purchase cost of the shares and all costs related to the buy-in.

**CMU**
There is no official failed trade statistic for CMU held instruments; however, the fail rate is estimated to be less than 1 percent.

Trades which do not settle in the real time or end of day processing mode on SD, are cancelled by the CMU at the end of the day. The participants need to re-submit the settlement instruction to CMU again on the next day.

**Stock Connect**
There are no penalties associated with Stock Connect fail trades.

**Bond Connect**
There is no penalty for Bond Connect Fail trade, however, investor and market maker are required to file the failed trade report to CMU, CFETS and CCDC/SCH on the next settlement date.

**Guarantee Funds**

Currently, there are three separate fund schemes established by the SEHK and one fund scheme established by the HKSCC to provide coverage and compensation for broker members and investors. They are as follows:

**SEHK Schemes:**

**The Brokers Fidelity Insurance Scheme (BFIS)**
The Brokers Fidelity Insurance Scheme (BFIS) provides protection for exchange members and serves as the first layer drawn upon when a loss arises from accidental or dishonest destruction, theft, or damage to securities or cash belonging to participants up to HKD 8 million per participant. Any SEHK participant who engages in the securities dealing business must join the scheme and pay one-third of the annual premium; the remainder is covered by the HKEX.

**Fidelity Fund and Guarantee Scheme (FFGS)**
The FFGS compensates exchange participants suffering losses resulting from, or in connection with, another participant’s default. Participants of the HKEX are required to join either the Fidelity Fund or the Guarantee Scheme. For HKEX participants, to join the Guarantee Scheme a member must provide a HKD 2 million guarantee per seat in the form acceptable to the exchange. The Fidelity Fund is HKD 50,000 per seat. The exchange permits participants to switch between the Fidelity Fund and the Guarantee Scheme. Claims for either fund of the scheme are limited to HKD 2 million per seat held by the defaulting party. If the Fidelity Fund is insufficient, the HKEX may allocate claims or call for more funds from participants.

**The Investor Compensation Fund (ICF)**
The ICF was established under the SFO in April 2003 and replaces the Unified Exchange Compensation Fund Scheme (UECF) and the Commodity Exchange Compensation Fund (ECF). Funding for the ICF is made up of the transfer of funds contributed under the UECF and ECF as well as the investor compensation levy of 0.002 percent on securities transactions executed on the SEHK and HKD 0.5 per contract on futures transactions executed on HKFE (smaller size contracts are charged HKD 0.1 on transaction amount). The IFC levy was suspended on all securities, futures contracts and Initial Public Offering (IPO) as the value of ICF currently exceeds HKD 1.4 billion. However, the levy can be reinstated if the IFC’s value falls below 1 billion.
This fund provides compensation to investors who suffer pecuniary losses as a result of a default of a licensed intermediary or authorized financial institution in relation to exchange traded products in Hong Kong. However, the fund cannot be applied to the following types of investors:

- A licensed corporation;
- An authorized financial institution;
- A recognized exchange company, a recognized exchange controller, or a recognized clearing house;
- An authorized automated trading services provider;
- An authorized insurer;
- A manager or an associate of the defaulting intermediary which is a corporation;
- An employee of the defaulting intermediary who has committed breach of trust, defalcation, fraud or misfeasance;
- The Government or an overseas government;
- A person acting as a trustee or custodian of the above persons, schemes or arrangement.

Claims are limited to HKD 150,000 per investor.

HKSCC Scheme:

HKSCC Guarantee Fund
The fund is used to indemnify the HKSCC against losses incurred as a result of guaranteeing an insolvent SEHK participant’s transactions. It also covers the liabilities of the HKSCC for defective, eligible securities when the depositing broker participant is insolvent. The fund is made up of contributions by broker participants, the HKSCC’s reserves, and insurance coverage. Clearing Participants’ contributions to the Guarantee Fund are in two parts, Basic Contribution and Dynamic Contribution and are in proportion to their average daily positions for the previous month. The minimum amount of Basic Contribution to be made by each Direct Clearing Participant (DCP) shall be HKD 50,000 or HKD 50,000 in respect of each Stock Exchange Trading Right held by such DCP in the Exchange, whichever is the higher. The minimum amount of Basic Contribution to be made by each General Clearing Participant (GCP) shall be HKD 150,000 or the aggregate of HKD 50,000 in respect of each Stock Exchange Trading Right held by it and HKD 50,000 in respect of each Non-Clearing Participant with whom such GCP has entered into a Clearing Agreement, whichever is the higher.

The minimum aggregate amount of Basic Contributions is HKD 100 million. There is no minimum aggregate amount for Dynamic Contributions. Generally, each Clearing Participant is
allowed a HKD 1 million Dynamic Contribution Credit in arriving at its required Dynamic Contribution. Clearing Participants’ required contributions are reviewed at least monthly.

The size of the Guarantee Fund is reviewed at least once a month.

**CMU**
There is no guarantee fund available in the event of a problem related to fixed income instruments. In the event of a problem there is no recourse available to foreign investors, however, risk is mitigated by the fact settlement occurs on a delivery versus payment (DVP) basis through the Central Moneymarkets Unit (CMU). The CMU is a division within the Hong Kong Monetary Authority (HKMA); therefore, it is backed by the assets of the HKMA. The HKMA is a division of the government which regulates financial institutions.
6. Corporate Events

Corporate Actions

Types
Typical corporate actions are right issues, stock distributions and splits, proxies, tenders, bonus issues, capital changes, and reorganizations.

Stock Connect
Northbound transactions invest in the China A share market, cash dividend, bonus issue and voting are the most common types of corporate actions.

Notification and Distribution Process
The HKEX and CMU act as official sources for information. However, the information can be obtained from Reuters, HKSCC and the SEHK. The HKE does require all listed companies to maintain and disclose free corporate action information on a web based system.

Corporate actions normally occur between April and May and between October and November. Shareholders registered as the legal owners over the book closure date receive entitlements. Shares trade without entitlements on ex-date.

For Stock Connect, HKSCC will monitor the corporate actions affecting SSE and SZSE securities and keep CCASS Participants informed of the details of all corporate actions relating to SSE or SZSE securities via CCASS terminals as soon as practicable on the announcement date.

Dividends

Cash dividends are common. Dividends are generally distributed semiannually for Hong Kong-listed companies. Dividends are typically paid 2-4 weeks after record date. Cash dividends are either paid by check or funds transfer from CCASS. In the rare case check payment is made, funds are credited to the investor’s account the same day as received by the sub custodian. Most dividends are announced in April and September and paid in June and December.

For physically-held shares, the registrar mails the dividend directly to the registered holder. Payment delivery takes four business days (after pay date). Securities held in CCASS receive an account credit. CCASS will not credit participant accounts until it has received funds from the registrar on or after pay date.

Some companies give shareholders the option to receive dividends in one of several major currencies.
Interest
Interest is distributed quarterly or semiannually. The CMU distributes income payments to its participants’ accounts automatically on pay date.

For corporate debt instruments, interest payments may be distributed either electronically, through the interbank funds transfer system, or by check. Electronic income payment provides same-day value; however, for interest payments distributed via check, delivery takes approximately three to five business days (after pay date). Upon receipt, there is a 24-hour clearance period, though the subcustodian may provide same-day value.

Shareholder Governance

Notification Process
Annual general meeting (AGM) announcements are usually made three to six weeks prior to meeting date. Meetings typically occur in May, June, September, October, and December.

Companies are not required to announce meeting results. Although not mandatory, most companies announce results within three business days of the meeting date. Results are published on the HKEX website and local newspapers.

Voting Process
Any person or entity registered as the shareholder on the security’s record date may vote. Registered holders vote by returning a completed proxy form to the company registrar or issuing company on or before the deadline as prescribed in the prospectus. Should an investor wish to appoint a representative to attend the AGM and vote, the investor must provide a power of attorney.

Stock Connect
The HKSCC will advise CCASS Participants of all general meeting details such as meeting date, time and the number of resolutions. CCASS Participants who have relevant holdings in their stock accounts as at the record date can vote via CCASS’s existing voting functions. HKSCC will consolidate the voting instructions from CCASS Participants and endeavor to submit a combined single voting instruction.

Blocking
Shares are not blocked during meetings.

Shareholder Recognition
Any person or entity registered as the shareholder on the security’s record date may vote. For physical shares, registrars do not permit share registration between record and pay date.
7. Taxation

Rates

Transaction Tax
There is no securities transaction tax.

Stamp Tax
*Ad valorem* stamp duty is 0.2 percent (0.1 percent per side of each transaction). A fraction of HKD1.00 in *ad valorem* stamp duty payable on any stock transaction is rounded up to the nearest HKD 1.00. According to the Stamp Duty Ordinance, the *ad valorem* stamp duty is payable when there is a change in beneficial ownership of Hong Kong Stocks. For exchange trades, the stamp duty is included in the contract note. The broker pays the stamp duty to the Revenue Department on the investor’s behalf on T+2. For off-market trades, investors need to pay the stamp duty separately when necessary (i.e., for a change in beneficial ownership). Stamp duty is not applicable to Hong Kong listed ETFs. Penalties apply for late payment of stamp duty.

Value-added Tax (VAT)
No VAT in Hong Kong currently.

Withholding Taxes
There is no withholding tax on Hong Kong-sourced dividends and interest. However, non-resident corporate investors are subject to a 10 percent China withholding tax on dividend income derived from H-shares, subject to further reductions pursuant to an applicable Double Taxation Avoidance Treaty (DTAT) with China.

Capital Gains Tax
Capital gains are not taxable in Hong Kong.

Withholding Process
There are no withholding taxes for securities transactions.

Reclaim Process
There are no withholding taxes for securities transactions.

Double Taxation Avoidance Treaties
Hong Kong SAR has double taxation treaties with over 30 other countries.
8. Foreign Exchange

Currency Trading
There are no foreign exchange (FX) repatriation controls in the market. The Hong Kong dollar (HKD) can be exchanged for any other fully-convertible currency.

Foreign exchange can be executed through a bank, or any other entity, licensed by the Securities and Futures Commission (SFC). Foreign exchange transactions can be executed on same day, next day, and spot or on a forward basis.

Stock Connect
In the Northbound transactions, offshore Chinese renminbi (CNH) is the settlement currency, which is a fully convertible currency outside mainland China. United States dollar (USD) and HKD may also be used for settlement.

Bond Connect
Funding can be executed in CNH, onshore Chinese renminbi (CNY) or foreign currency. If funding is via CNY, segregated CNY cash account and the CNY funding should be acquired only for the use of bond connect investment. The CNY and CNH funding cannot be commingled. The CMU participants are required to report and monitor the usage of CNY for Bond Connect. For any maturity or payout of investment with initial investment of CNY, it is paid out in CNY.

Inward Remittance
The HKD is pegged to the United States dollar (USD) and is fully convertible.

Outward Remittance
There are no restrictions on repatriation.
Glossary

ADR: American Depository Receipts
AGM: annual general meeting
AMS: Automatic Order Matching and Execution System
BFI: Brokers’ Fidelity Insurance Scheme
BIS: (Bank for International Settlements) its Committee on Payment and Settlement Systems has identified three models for common DVP practices
BSS: (Broker Supplied System) part of the SEHK’s AMS system
BTF: Block Trading Facility
CCASS: Central Clearing and Settlement System
CD: certificate of deposit
CHATS: (Clearing House Automated Transfers System) the Hong Kong Association of Bank’s clearinghouse’s electronic payment instruction system
CMU: Central Moneymarkets Unit
CNS: continuous net settlement system
DR: depositary receipt
DVP: delivery versus payment
ET: Eastern Time
ETF: exchange-traded fund
EUR: currency code for euro
FF: Fidelity Fund
FFGS: Fidelity Fund and Guarantee Scheme
FX: foreign exchange
GEM: Growth Enterprises Market
“H” shares: shares of Chinese companies listed on the SEHK
HKATS: Hong Kong Futures Automated Trading System
HKD: currency code for the Hong Kong dollar
HKEX: Hong Kong Exchanges and Clearing Limited
HKFE: Hong Kong Futures Exchange
HKICL: Hong Kong Interbank Clearing Ltd.
HKMA: Hong Kong Monetary Authority
HKSCC: (Hong Kong Securities Clearing Co. Ltd.) operator of CCASS
HSBC: (Hong Kong and Shanghai Banking Corp. Ltd.) appointed by HKSCC to operate the depository and CCASS
HSI: Hang Seng Index
ICF: (Investors Compensation Fund) replaced the United Exchange Compensation Fund Scheme
ISIN: international security identification number
NASDAQ: National Association of Securities Dealers Automated Quotation system
ORS: Order Routing System
OTC: over the counter market
PRC: People’s Republic of China
PSI: *Hang Seng* Properties Sub-Index
RDVP: real-time delivery-versus-payment
SAR: Special Administrative Region
SD: settlement date
SEHK: Stock Exchange of Hong Kong
SFC: Securities and Futures Commission
SFO: Securities and Futures Ordinance
SI: *(Settlement Instruction)* mode for settlement
SZSE: Shenzhen Stock Exchange
T: trade date
TVB: Television Broadcasting Company
US: United States
USD: currency code for the US dollar
VAT: value-added tax