

**China Securities Depository and Clearing Corporation Ltd.**  
**Implementing Rules for Registration, Depository and Clearing Services under**  
**the Shanghai-Hong Kong Stock Connect Pilot Program**

*Disclaimer: For the avoidance of doubt, if there is any conflict in the meaning between the English version and the Chinese version, the Chinese version shall prevail.*

**CHAPTER I**

**GENERAL PROVISIONS**

- Article 1      The Implementing Rules for Registration, Depository and Clearing Services under the Shanghai-Hong Kong Stock Connect Pilot Program ("**Implementing Rules**") are hereby formulated in accordance with *the Securities Law of the People's Republic of China, the Measures for the Administration of Securities Registration and Clearing, Several Provisions on the Shanghai-Hong Kong Stock Connect Pilot Program* and other laws, regulations and rules, *the Joint Announcement of the China Securities Regulatory Commission and Hong Kong Securities and Futures Commission*, and relevant rules of China Securities Depository and Clearing Corporation Limited ("**CSDC**") in order to regulate the registration, depository and clearing services under Shanghai-Hong Kong Stock Connect.
- Article 2      Services relating to account management, depository and clearing in connection with the operation of Hong Kong Connect shall be governed by the Implementing Rules. In absence of relevant provisions under the Implementing Rules, other business rules of CSDC shall apply.
- Services relating to registration, depository and clearing in connection with the operation of Shanghai Connect shall be governed by relevant business rules of CSDC. Where the Implementing Rules provide special requirements, the Implementing Rules shall apply.
- Article 3      Hong Kong Securities Clearing Company Limited ("**HKSCC**") and CSDC shall enter into an agreement. Both parties shall perform their registration, depository and clearing operations in respect of Shanghai-Hong Kong Stock

Connect according to the aforesaid agreement and their respective business rules.

Article 4 CSDC will conduct self-regulatory management under Shanghai-Hong Kong Stock Connect.

## **CHAPTER II**

### **SERVICES UNDER SHANGHAI CONNECT**

Article 5 To participate in Shanghai Connect, HKSCC shall apply for the qualification as a clearing participant of CSDC, and shall assume settlement responsibility to CSDC in respect of Shanghai Connect trades executed by foreign investors.

HKSCC shall submit the following application materials in writing to CSDC:

- (1) approval from the China Securities Regulatory Commission (“CSRC”) regarding HKSCC's participation in Shanghai-Hong Kong Stock Connect;
- (2) the Application Form for Qualification as Clearing Participant;
- (3) its certificate of incorporation and business registration certificate, notarized by China Legal Service (H.K.) Ltd.;
- (4) the board resolution approving HKSCC's application to become a clearing participant of CSDC;
- (5) a legal opinion issued by a Hong Kong law firm regarding HKSCC's application to become a clearing participant of CSDC;
- (6) an overview of HKSCC's operations, including, but not limited to, its company profile, organizational structure, management team and operational procedures etc.;
- (7) relevant audited financial information for the recent two years;
- (8) authorization granted by the board or the directors and the identity documents of such authorized persons;
- (9) valid identity document of its agent and a photocopy;
- (10) an executed securities and money settlement agreement;

- (11) the latest Articles of Association of HKSCC and the notarial certificate;
- (12) document issued by the Hong Kong Securities and Futures Commission (“SFC”) approving HKSCC's preparation for Shanghai-Hong Kong Stock Connect;
- (13) a statement on its internal clearing risk control system, including, at a minimum, the following contents: facilities for clearing and settlement, staffing of its clearing department, measures for risk prevention and monitoring, contingency plan under abnormal situations and key risk management policies; and
- (14) other materials as required by CSDC.

Article 6 HKSCC shall open a Shanghai Stock Exchange RMB common stock account with CSDC in the name of "Hong Kong Securities Clearing Company Limited" and, as nominee holder, hold the securities acquired by foreign investors through Shanghai Connect.

HKSCC shall submit the following documents to apply for opening the aforesaid account:

- (1) Application Form for Securities Account Opening (for institutional investors);
- (2) valid identity document of the authorized person and a photocopy; and
- (3) authorization granted by the board or the directors and the identity documents of such authorized persons.

Article 7 The securities acquired by investors through Shanghai Connect and held by HKSCC as nominee shall be deposited in CSDC and registered in the register of shareholders of the relevant companies listed on the Shanghai Stock Exchange ("SSE") in the name of HKSCC.

Article 8 With respect to any SSE-listed securities that are not included in Shanghai Connect but are obtained from events such as spin-offs, mergers and acquisitions, takeovers, Shanghai Connect investors shall be entitled to sell, but not buy, such securities. With respect to any securities obtained that are not listed on SSE, cash settlement or other arrangements will be made depending on the circumstances.

Article 9 Except as otherwise permitted by the SSE, neither HKSCC nor its participants shall effect any non-trade transfers of shares acquired through Shanghai Connect other than those resulting from succession, divorce, loss of legal person status, donation to a charitable foundation and assistance in enforcement.

Article 10 For Shanghai Connect, HKSCC shall pay client Settlement Guarantee Fund to cover the loss due to settlement default of HKSCC and liquidity advances. The spread proportion of equity disposal and disposal costs in the formula of calculating client Settlement Guarantee Fund shall be subject to the agreement between the parties.

Based on the principle of "isolation of settlement risks of the two markets with no spill-over of risks across the markets", HKSCC shall not be required to contribute to the Settlement Risk Fund or the mutualized portion of the Settlement Guarantee Fund and shall not be responsible for sharing any potential losses arising from any default of a Mainland clearing participant.

Article 11 In the event of any money settlement default of HKSCC, HKSCC shall, as required, designate securities with a value equal to the default amount or provide other collaterals to CSDC.

If no or insufficient designation is made by HKSCC, CSDC will deduct the shortfall with the securities that are acquired on the trading day corresponding to the money settlement default in HKSCC's securities account on a last in first out basis or on the basis of other effective methods that may be adopted.

Article 12 In the event of any money settlement default of HKSCC, CSDC may, in accordance with relevant business rules, take relevant measures such as collecting penalty and interest accrued on the default amount, increasing the minimum Settlement Reserve Fund ratio, increasing the amount of Settlement Guarantee Fund payable, reporting the default to the relevant regulatory authorities and proposing SSE to suspend buy transactions through HKSCC's stock account.

Article 13 In the event of any money settlement default of HKSCC, if HKSCC fails to pay the default amount, interest and penalty on the next settlement day, CSDC is entitled to sell the deducted securities to offset the shortfall. Any proceeds remaining from the sale will be returned to HKSCC; if the amount of sale is insufficient, CSDC is entitled to take recourse against HKSCC.

- Article 14 HKSCC shall safe-keep the original certificates and other relevant documents and materials relating to registration, depository and clearing services that are generated from the performance of its responsibilities under the Implementing Rules for a minimum period of 20 years.

### **CHAPTER III**

#### **SERVICES UNDER HONG KONG CONNECT**

##### **SECTION 1 ACCOUNT SETTING**

- Article 15 CSDC shall open a securities account with HKSCC to hold, as nominee holder, securities acquired by investors through Hong Kong Connect and shall use it to conduct securities settlement with HKSCC.
- Article 16 Hong Kong Connect investors shall participate in trading under Hong Kong Connect through their SSE RMB common stock accounts.

##### **SECTION 2 DEPOSITORY AND CUSTODY**

- Article 17 To participate in trading under Hong Kong Connect, a Hong Kong Connect investor shall enter into a trading and custody agreement with a Mainland securities company and place the acquired securities under the custody of the company. The Mainland securities company shall assume the relevant custodial responsibilities in respect of such securities.

Mainland securities companies shall deposit the securities acquired for themselves or for clients through Hong Kong Connect with CSDC.

- Article 18 The securities holding record issued by CSDC shall constitute legal evidence of a Hong Kong Connect investor's rights and interests in such securities.

Physical deposit or withdrawal of securities by Hong Kong Connect investors is not allowed, unless otherwise provided by CSRC.

- Article 19 CSDC shall, as nominee holder, deposit the securities acquired by Hong Kong Connect investors through Hong Kong Connect with HKSCC in the name of CSDC and exercise its rights against securities issuers through HKSCC.

The securities held by Hong Kong Connect investors through Hong Kong Connect in the name of CSDC shall be registered in the registers of members of the relevant companies listed on The Stock Exchange of Hong Kong Limited ("SEHK") in the name of HKSCC Nominees Limited.

Article 20 CSDC shall conduct account transfers of the relevant securities based on the settlement results of Hong Kong Connect trades.

Article 21 Where Hong Kong Connect investors effect non-trade transfers due to succession, divorce, loss of legal person status, donation to a charitable foundation or any other events permitted by the relevant authority, pledging and assistance in enforcement, they shall refer to the relevant business rules of CSDC.

### **SECTION 3 NOMINEE SERVICES**

Article 22 CSDC shall, as nominee holder, provide nominee services to Hong Kong Connect investors through Mainland clearing participants.

Article 23 The nominee services provided by CSDC include distribution of cash dividends, bonus issue, sub-division and consolidation of shares, voting, takeover offer and issuance of securities holding certificates.

CSDC will not provide services relating to IPO subscriptions.

CSDC shall provide services relating to rights issues and open offers within the prescribed limit and the subscription for scrip shares in accordance with the provisions of relevant regulations, rules or governing documents. CSDC will not provide services relating to excess rights issues and excess open offers for the time being.

Article 24 With respect to any SEHK-listed securities that are not included in Hong Kong Connect but are obtained from events such as bonus issues, conversions and takeovers, Hong Kong Connect investors shall be entitled to sell, but not buy, such securities.

With respect to any SEHK-listed warrants obtained from events such as bonus issues or conversions, Hong Kong Connect investors shall be entitled to sell, but not exercise, such warrants.

With respect to any securities that are not listed on SEHK but are obtained from events such as bonus issues, conversions and takeovers, Hong Kong Connect investors shall be entitled to the relevant rights in such securities, but shall not be allowed to buy or sell such securities. CSDC will consult with HKSCC to make specific arrangements.

Article 25 In providing services relating to the distribution of cash dividends, CSDC shall, within three Hong Kong Connect trading days after receipt of any dividend in a foreign currency from HKSCC or the listed company, effect currency exchange, clearing and distribution, etc.

Article 26 In providing services relating to bonus shares, CSDC shall, depending on the time of receipt from HKSCC, process such bonus shares on the same day or the following day, and such bonus shares will be available for trading on SEHK on the Hong Kong Connect trading day following processing by CSDC. The first day on which Hong Kong Connect investors may sell the bonus shares may therefore be one Hong Kong Connect trading day later as compared to the Hong Kong market.

CSDC shall round down fractional bonus shares in Hong Kong Connect investors' accounts. If the aggregate number of bonus shares in Hong Kong Connect investors' accounts after rounding down is less than that received from HKSCC, CSDC shall allocate the difference according to the exact algorithm.

Article 27 In providing services relating to the sub-division and consolidation of shares, CSDC shall, in accordance with the rules of SEHK and HKSCC and taking into account any trading arrangement adopted by SSE, convert the stock code and make relevant adjustments to the amount of holdings in each account.

The fractional shares resulting from the sub-division and consolidation of shares in a Hong Kong Connect investor's account will be handled according to the second paragraph of Article 26.

Article 28 In providing voting services, CSDC shall consolidate the voting instructions of Hong Kong Connect investors during the voting period and submit such consolidated voting instructions to HKSCC.

Hong Kong Connect investors may vote for, against, or abstain from voting on each resolution according to the announcement of the SEHK-listed company. If the aggregate number of votes exceeds the amount of holdings on the shareholding date or the voting deadline date prescribed by HKSCC, CSDC shall allocate these votes pro rata based on the actual holdings.

Article 29 In providing services relating to mandatory takeover offers, CSDC shall take custody of and cancel the relevant shares acquired by Hong Kong Connect investors in accordance with instructions from HKSCC.

In providing services relating to conditional and unconditional non-mandatory takeover offers, CSDC shall take custody of and cancel the relevant shares based on the instructions submitted by Hong Kong Connect investors during the subscription period. If a conditional non-mandatory takeover offer is cancelled, CSDC will return the relevant shares in accordance with the instructions of HKSCC.

Upon receipt of the funds or shares from a takeover offer from HKSCC, CSDC shall complete the corresponding processing of such funds or shares within three Hong Kong Connect trading days.

#### **SECTION 4 CLEARING AND SETTLEMENT**

Article 30 As a clearing agency participant of HKSCC, CSDC shall accept the appointment by SSE's securities trading service company to effect securities and money settlement with HKSCC and assume the settlement obligations towards HKSCC in accordance with the business rules of HKSCC and based on the clearing data provided by HKSCC.

Article 31 The clearing of Hong Kong Connect trades in the Mainland will be undertaken by CSDC. As the central counterparty of Mainland clearing participants, CSDC will provide multilateral net settlement services for Hong Kong Connect trades.

If HKSCC fails to perform its settlement obligations in full with CSDC due to default or insolvency, CSDC shall allocate any securities and funds received from HKSCC among Mainland clearing participants on a pro rata basis. As for any outstanding securities and funds, the responsibility of CSDC is only limited to assisting Mainland clearing participants in taking recourse against HKSCC in accordance with relevant legal proceedings in Hong Kong. Any securities and funds recovered will be allocated on a pro rata basis among Mainland clearing participants who suffered loss.

Article 32 Clearing and settlement of securities and funds shall follow a tiered clearing principle.

CSDC shall be responsible for the clearing and settlement of securities and funds with Mainland clearing participants. Mainland clearing participants shall fulfil their ultimate settlement responsibilities to CSDC in respect of the settlement obligations which are determined to be borne by them upon trade execution.



Mainland clearing participants shall be responsible for the clearing and settlement of securities and funds with Hong Kong Connect investors. Securities delivery between Mainland clearing participants and Hong Kong Connect investors shall be delegated to CSDC.

Article 33 Except for risk management operations for which RMB shall be the clearing and settlement currency, the clearing and settlement currencies for all other dealings between HKSCC and CSDC shall be as determined by HKSCC.

RMB shall be the clearing and settlement currency between CSDC and Mainland clearing participants.

Article 34 For the purpose of money settlement under Hong Kong Connect, Mainland clearing participants shall apply to CSDC for opening separate client and proprietary Hong Kong Connect settlement reserve fund accounts.

There is no minimum Settlement Reserve Fund requirement in respect of Mainland clearing participants' proprietary and client Hong Kong Connect settlement reserve fund accounts.

Article 35 CSDC will allocate interest received from settlement banks and HKSCC in proportion to the cumulative amounts in Mainland clearing participants' respective cash accounts for Hong Kong Connect during the interest calculation period.

Article 36 At the end of each Hong Kong Connect trading day ("**T-day**"), CSDC shall conduct securities and funds clearing based on trade details received from SSE's securities trading service company, as well as the non-trade data uploaded by Mainland clearing participants and generated by CSDC in accordance with its business rules.

If HKSCC adjusts the clearing results issued on T-day, CSDC shall on T+1 day, upon receiving the adjusted clearing data from HKSCC, add it to that day's clearing data at day end.

Article 37 Funds clearing shall be conducted based on the principle of "clearing in HKD first, followed by clearing in RMB".

Funds clearing shall include the clearing of funds related to trading, risk management, corporate action, taxes and fees such as the securities portfolio fee and other non-trade-related funds.

Among them, the securities portfolio fee shall be calculated according to the market value of the securities held in each securities account at the end of each calendar day.

Article 38 Prior to market open on T-day, upon receipt of the reference HKD/RMB buying rate and the reference HKD/RMB selling rate provided by settlement banks for Hong Kong Connect, CSDC shall timely release the information to the market through SSE.

After market close on T-day, CSDC shall conduct currency exchanges with settlement banks for Hong Kong Connect according to the required settlement amount under Hong Kong Connect, and allocate the currency exchange costs to each transaction.

For funds generated from corporate actions, such as dividends and takeover offers, CSDC shall apply such exchange rates as may be negotiated and agreed with the settlement banks for Hong Kong Connect.

Article 39 The respective settlement date and settlement time for Mainland clearing participants in respect of each type of funds are set forth below:

- (1) settlement date of corporate action and risk management funds is T+1 day; settlement time is 10:30;
- (2) settlement date of securities portfolio fee is T+1 day; settlement time is 18:00;
- (3) settlement date of net payables in respect of trades executed is T+2 day; settlement time is 10:30; and
- (4) settlement date of net receivables in respect of trades executed is T+2 day; settlement time is 18:00.

CSDC reserves the right to adjust any of the above settlement times as required.

Article 40 CSDC shall conduct securities settlement based on the clearing results on T+2 day.

Where HKSCC carries out cash settlement due to its inability to deliver securities, CSDC shall implement corresponding operational arrangements with reference to the relevant operational principles of HKSCC.

Article 41 The settlement calendar for Hong Kong Connect trades shall be determined and released in advance by CSDC taking into account HKSCC's settlement calendar, SSE's Hong Kong Connect trading calendar and other factors such as funds transfer and risk management.

Where HKSCC temporarily makes special settlement arrangements due to reasons such as typhoon and black rainstorm, CSDC may, depending on the circumstances, make arrangements and promptly notify Mainland clearing participants accordingly.

## **SECTION 5 RISK MANAGEMENT**

Article 42 Based on the principle of "isolation of settlement risks of the two markets, with no spill-over of risks across markets", Mainland clearing participants shall not be required to contribute to mutualized portion of the Guarantee Fund of HKSCC and shall not share any losses that may arise from any default by a participant of HKSCC in the SEHK market.

Article 43 Mainland clearing participants shall set up sound risk control systems in accordance with these Implementing Rules.

With respect to a securities account with any outstanding business, Mainland securities companies shall restrict the client to cancel its designation.

Article 44 Mainland clearing participants shall apply to CSDC for opening separate client and proprietary Hong Kong Connect risk control cash accounts, which shall be used for holding funds payable relating to the risk management under Hong Kong Connect.

Article 45 Based on the risk management requirements of HKSCC, CSDC shall, in accordance with the unsettled positions of Mainland clearing participants, collect Marks and Margin from Mainland clearing participants.

In the event that HKSCC collects Concentration Collateral from CSDC, CSDC shall allocate it among Mainland clearing participants according to the proportion of their net long positions in High Risk Securities.

Article 46 At the end of T-day, CSDC shall, based on the difference between the net position value and T-day market value of a Mainland clearing participant's unsettled positions which may be due for settlement on different days, calculate

Marks to be paid and settled on T+1 day by the Mainland clearing participant, subject to any applicable principle.

Article 47 At the end of T-day, CSDC shall, after calculating a Mainland clearing participant's Margining Positions in accordance with the net position value and the T-day market value of its unsettled positions and securities holdings, calculate the Margin payable and to be settled on T+1 day by the Mainland clearing participant based on the Margin Rate and Margin Multiplier.

Article 48 CSDC may, pursuant to the relevant business rules of HKSCC, provide to HKSCC the securities in CSDC's nominee account as collateral for its unsettled short positions.

Article 49 Each Mainland clearing participant participating in Hong Kong Connect shall pay to CSDC RMB 200, 000 as the Mainland clearing participant's contribution to the Settlement Guarantee Fund, and this contribution shall be included in the mutualized portion of the Settlement Guarantee Fund according to its administrative requirements.

Article 50 The failure by a Mainland clearing participant to complete money settlement by the required settlement time shall constitute an event of default, entitling CSDC to take the following measures:

(1) Collection of penalty and interest advance:

$$\text{Penalty} = \max [\text{intra-day settlement default amount, day-end settlement default amount}] \times 0.1\% \times \text{number of days of default}$$

$$\text{Interest advance} = \text{day-end settlement default amount} \times \text{mainland RMB account interest rate as agreed with settlement bank} \times \text{number of days of default} / 360$$

(2) A Mainland clearing participant shall on the day of default designate Hong Kong Connect securities not to be delivered; if no designation is made or the designation is insufficient, CSDC shall be entitled to deduct the Mainland clearing participant's proprietary securities up to the default amount.

(3) From the Hong Kong Connect trading day following the day of settlement default, CSDC shall have the right to dispose of the deducted securities and the interests therein. The proceeds from the disposal shall

be used to cover the amount of default and any remainder shall be returned to the Mainland clearing participant. CSDC shall have the right of recourse in respect of any shortfall. The specific disposal methods and procedures shall be separately stipulated by CSDC.

Article 51 In the event of any material violation of laws or regulations by a Mainland clearing participant, CSDC shall have the right to suspend in whole or in part its eligibility to settle Hong Kong Connect trades and request the SSE to restrict in whole or part its right to effect buy trades under Hong Kong Connect.

## **SECTION 6 SETTLEMENT BANK MANAGEMENT**

Article 52 A settlement bank applying to conduct cross-border money settlement business under Hong Kong Connect must satisfy the following conditions:

- (1) it has been qualified as a settlement bank of CSDC according to the *Measures for the Administration of Securities and Money Settlement for Settlement Banks*, and can offer clearing services to all of the clearing participants of CSDC;
- (2) it has set up branches which meet local regulatory requirements in both Shanghai and Hong Kong;
- (3) it has obtained all relevant qualifications relating to its business in RMB and foreign currency and has been in operation for no less than 5 years;
- (4) it has total assets of no less than RMB 5 trillion and a net asset value of no less than RMB 400 billion;
- (5) where it is a designated account opening bank, it shall be a bank designated by HKSCC in Hong Kong and has the qualification and experience for completing money settlement for HKSCC's participants;
- (6) it has a Mainland and Shanghai-Hong Kong real-time transfer system to effect real-time availability of transferred funds;
- (7) it shall provide CSDC with an intra-day credit line of no less than RMB 20 billion or an equivalent amount in HKD free of charge, and an overnight credit line of no less than RMB 12 billion or an equivalent amount in HKD;

- (8) it has formulated a sound risk management system and a contingency plan for cross-border money settlement; and
- (9) it shall abide by the business rules, guidelines and other relevant requirements of CSDC, and shall enter into settlement and currency exchange agreements with CSDC; and
- (10) other conditions as required by CSDC.

Article 53 A settlement bank applying to conduct cross-border money settlement business under Hong Kong Connect shall submit the following documents to CSDC:

- (1) an application report, including basic information, qualifications, etc.;
- (2) an application form;
- (3) an undertaking to provide credit lines to CSDC;
- (4) its risk management system and contingency plan for conducting money settlement under Hong Kong Connect; and
- (5) other documents as required by CSDC.

Article 54 Once CSDC has approved the application mentioned above, the Shanghai branch and Hong Kong branch of the settlement bank shall respectively enter into a supplemental agreement or a memorandum of understanding with the Shanghai branch of CSDC concerning such matters as the daily operational procedures, the connection between the technical systems and the contingency plan with respect to money settlement under Hong Kong Connect according to the Securities Trading Settlement Funds Management Agreement entered into between the headquarter of the settlement bank and CSDC.

Article 55 For any issue relating to the settlement banks for Hong Kong Connect that is not addressed by the Implementing Rules, the relevant rules of CSDC on the administration of settlement banks shall apply.

## **CHAPTER IV**

### **SUPPLEMENTARY PROVISIONS**

Article 56 The terms used in the Implementing Rules have the following meanings:

- (1) Rights Issue is an offer provided by a company listed on SEHK to existing shareholders to subscribe for new shares on a *pro rata* basis according to their respective holdings on the record date. The nil paid rights issued to shareholders are allowed to be traded in the secondary market. Investors may subscribe for new shares in excess of their *pro rata* entitlements. The number of excess shares allocated will depend on the allotment ratio.
- (2) Open offer is an offer provided by a company listed on SEHK to existing shareholders to subscribe for new shares. Open offer is similar to rights issue except that no nil paid rights will be issued, therefore, no trading in respect thereof can be effected.
- (3) Subscription for scrip shares refers to the election by shareholders to receive scrip dividend in lieu of cash where an option to receive cash dividend or scrip dividend is available to shareholders.
- (4) Exact algorithm: In order to ensure that the sum of the stock entitlements received by each investor is equal to the stock entitlements received by CSDC from HKSCC, CSDC will arrange investors' fractional shares that are credited to their accounts in descending order. Fractional shares of the same amount will be randomly ranked by the electronic clearing system. Following the sequence produced, one share will be allocated to each investor's account until all the shares have been distributed.
- (5) T-day: a trading day under Hong Kong Connect.
- (6) T+N day: the N<sup>th</sup> settlement day following T-day under Hong Kong Connect.
- (7) Securities portfolio fee: the depository and corporate action service fee charged by HKSCC which is calculated based on the market value of Hong Kong Connect securities held in CSDC's nominee account at the end of each calendar day and according to a sliding fee scale. CSDC will collect from each Mainland securities account holding Hong Kong Connect securities applying the same rate.
- (8) Marks is an amount payable by clearing participants which is calculated at the end of each trading day by CSDC by marking-to-market all

unsettled positions in the different types of securities standing to the credit of the reserve fund account of each participant with reference to the market price of the securities as compared to the traded price and to relevant levying principles.

- (9) Unsettled Positions are each securities account's net long and/or net short positions created on each trading day but not yet settled. Usually both the positions on T-1 day and those on T-day are included. In the event of special settlement arrangements, positions which are created and due for settlement on the previous trading day but whose settlement is delayed to the following settlement day will also be included.
- (10) Margin is an amount payable by clearing participants which is calculated by CSDC at the end of each trading day with reference to the Margining Position in a clearing participant's reserve fund account, the Margin Rate and the Margin Multiplier.
- (11) Margining Position refers to the higher of the value of the total cross-day net long positions and the total cross-day net short positions in a clearing participant's reserve fund account at day-end. The values are computed by CSDC with reference to the mark-to-market value of the relevant positions and will be reduced by the value of any eligible collateral security that may have been provided by a clearing participant to cover its short positions.
- (12) Margin Rate is the percentage determined by HKSCC to be applied to the Margining Position in the computation of Margin, on the basis of the historical maximum cross-day volatility of the Hang Seng Index in any two-day period.
- (13) Margin Multiplier is a parameter used in making adjustments to the required amount of Margin, which is determined by CSDC based on its risk exposure to Mainland clearing participants.
- (14) Concentration Collateral is a type of risk management fund collected by HKSCC from a participant where the value of the participant's unsettled long position in High Risk Securities is more than twice the participant's liquid capital.



(15) High Risk Securities are securities whose closing price on the last trading day is more than 10% higher or less than that on the trading day immediately preceding the last trading day.

Article 57 CSDC does not provide any depository services involving cross-border transfers under Shanghai-Hong Kong Stock Connect.

Article 58 The taxation arrangement under Shanghai-Hong Kong Stock Connect is subject to the relevant regulations of the national taxation authority.

Article 59 The Implementing Rules and any amendment hereto shall become effective after approval by the CSRC.

Article 60 The Implementing Rules shall be amended and interpreted by CSDC.

Article 61 The Implementing Rules shall come into force on September 26, 2014.