

Rules for the Implementation of Registration, Depository and Settlement Business of the Stock Connect between Chinese Mainland and Hong Kong

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 Rules are formulated in accordance with the Securities Law of the People's Republic of China, the Measures for the Administration of Securities Registration and Settlement, the Rules on the Stock Connect between Chinese Mainland and Hong Kong and other laws, regulations and department rules, the Joint Announcement of China Securities Regulatory Commission and Hong Kong Securities and Futures Commission, and relevant business rules of China Securities Depository and Clearing Corporation ("CSDC"), for the purpose of regulating the registration, depository and settlement business of the stock connect between Chinese Mainland and Hong Kong (including Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, hereinafter referred to "SH-HK Stock Connect" and "SZ-HK Stock Connect").

Article 2 The registration, depository and settlement of Hong Kong-Shanghai northbound trading (HK-SH northbound trading) and Hong Kong-Shenzhen northbound trading ("HK-SZ northbound trading") shall be governed by the Rules; those not mentioned herein shall comply with relevant business rules of CSDC.

The account management, depository and settlement involved in southbound trading (southbound trading herein includes southbound trading under SH-HK Stock Connect and southbound trading under SZ-HK Stock Connect) shall be governed by the Rules; those not mentioned herein may refer to other business rules of CSDC.

Article 3 Hong Kong Securities Clearing Company Limited ("HKSCC") shall sign an agreement with CSDC. Both parties will handle the registration, depository and settlement relating to SH-HK Stock Connect and SZ-HK Stock Connect in accordance with the agreement and their respective business rules.

Article 4 CSDC implements industrial self-discipline management in SH-HK Stock Connect and SZ-HK Stock Connect business.

Chapter II HK-SH Northbound Trading and HK-SZ Northbound Trading

Article 5 To participate in HK-SH northbound trading, HKSCC shall apply for the settlement participant qualifications granted by CSDC, and submit the following written application materials to CSDC:

- i. Reply of China Securities Regulatory Commission ("CSRC") on HKSCC's participation in HK-SH northbound trading business;
- ii. Application for Settlement Participant Qualifications;
- iii. Company registration certificate and commercial registration certification documents notarized by China Legal Service (Hong Kong) Limited;
- iv. Proposal in relation to the voting of the board of directors on approving HKSCC's application for becoming a settlement participant of CSDC;
- v. Legal opinion issued by a law firm in Hong Kong with respect to HKSCC's application to CSDC for settlement participant qualifications;
- vi. Overview of HKSCC's business operations, including but not limited to corporate profile, organization structure, management team and business operation procedures;
- vii. Relevant financial audit materials in the recent two years;
- viii. Letter of authorization issued by the board of directors or directors and valid identity certification documents of the authorizer;
- ix. The handler's valid identity certification documents and copies;
- x. Executed agreement on securities fund settlement;
- xi. Latest memorandum of association of the company and notarial deed;
- xii. Documents of Hong Kong Securities and Futures Commission ("SFC") approving HKSCC's preparation for SH-HK Stock Connect;
- xiii. The company's notes to internal settlement risk control system, including, among others, settlement technique facilities and staffing of settlement department; measures for prevention and monitoring of risks relating to settlement business; emergency response plan for abnormal circumstances; major risk control rules; and
- xiv. Other materials as required by CSDC.

To participate in HK-SZ northbound trading, HKSCC shall submit to CSDC a written application and the written application materials set forth in paragraphs i, viii, ix, x, xii and xiv above which also apply to HK-SZ northbound trading business.

Article 6 HKSCC shall open RMB ordinary share accounts for Shanghai Stock Market and Shenzhen Stock Market in the name of "Hong Kong Securities Clearing Company Limited" with CSDC's Shanghai and Shenzhen branches respectively, and act as the nominee to hold the securities acquired by overseas investors through HK-SH northbound trading and HK-SZ northbound trading.

To open a RMB ordinary share account in Shanghai or Shenzhen stock market, HKSCC shall submit the following documents to CSDC:

- i. Application for Opening a Securities Account (Applicable to institutions);
- ii. The handler's valid identity certification documents and copies;
- iii. Letter of authorization issued by the board of directors or directors and valid identity certification documents of the authorizer.

Article 7 The securities held by HKSCC as nominee of investors in HK-SH Stock Connect and HK-SZ Stock Connect are deposited in CSDC in the name of HKSCC, and registered in the registers of shareholders of listed companies in Shanghai Stock Exchange ("SSE") and Shenzhen Stock Exchange ("SZSE") respectively.

Article 8 Investors in HK-SH Stock Connect and HK-SZ Stock Connect may sell but shall not buy SSE or SZSE-listed securities not applicable to HK-SH Stock Connect and HK-SZ Stock Connect, which are acquired due to split-up, merger and tender offer; if the securities acquired are not listed on SSE or SZSE, such arrangements as cash settlement shall be made as the case may be.

Article 9 HKSCC and its participants shall not handle the non-trading transfer of securities of HK-SH northbound trading and HK-SZ northbound trading, other than inheritance, divorce, deprivation of corporate personality, donation to the foundation, and assistance in enforcement, unless confirmed by SSE or SZSE.

Article 10 To engage in the business of HK-SH northbound trading and HK-SZ northbound trading, HKSCC shall pay customer securities settlement margin to Shanghai and Shenzhen branches of CSDC respectively to make up for the losses

incurred by settlement default to and liquidity advance made by HKSCC. The proportion of equity disposal price spread and disposal cost in the formula for calculating customer's securities settlement margin shall comply with the relevant agreements of both parties.

According to the principle that "market settlement risk in the two places shall be segregated", HKSCC is not required to pay securities settlement risk fund and the securities settlement margin with mutual guarantee functions, or share the losses possibly incurred by the default of domestic settlement participants.

Article 11 HKSCC shall perform the responsibility for settlement with CSDC with respect to the HK-SH and HK-SZ northbound trading transactions conducted with overseas investors.

In case HKSCC defaults on fund settlement, it shall respectively designate securities in an amount of the default amount for or submit other collaterals to Shanghai and Shenzhen branches of CSDC as required.

In case HKSCC fails to designate or its designation is insufficient, CSDC shall withhold securities in reverse order according to the sequence of buying securities on the trading days corresponding to the default on securities account fund settlement of HKSCC, or withhold securities in other effective ways.

Article 12 In case HKSCC defaults on fund settlement, CSDC may charge default fine and interest on default funds, raise the proportion of minimum settlement reserves and the contribution amount of securities settlement margin, report to regulators, request SSE or SZSE to suspend the buying transactions in the securities account of HKSCC, or take other measures according to relevant business rules.

Article 13 Where HKSCC still fails to make up a deficiency of default principal, interest and fine on the next settlement day after the default on fund settlement, CSDC shall have the right to sell the securities withheld and use the proceeds to make up the deficiency above, with the surplus fund to be returned to HKSCC or the deficiency to be claimed against HKSCC.

Article 14 HKSCC shall properly keep the source documents of registration, depository and settlement and various related documents and materials arising from

performance of its responsibilities set forth in the Rules for at least 20 years.

Chapter III Southbound Trading Business

Section 1 Account Setting

Article 15 CSDC, as the nominee, holds the securities acquired by southbound trading investors. CSDC's Shanghai and Shenzhen branches open securities accounts with HKSCC respectively, which are used in securities settlement with HKSCC.

Article 16 Southbound trading investors shall conduct southbound trading through the RMB ordinary share account in Shanghai or Shenzhen stock market.

Section 2 Depository and Custody

Article 17 To participate in southbound trading, southbound trading investors shall sign southbound trading and custody agreements with domestic securities companies, to hold the acquired securities in trust by domestic securities companies, which shall assume corresponding security custody responsibilities.

The securities acquired by domestic securities companies or their customers through southbound trading shall be held in trust by CSDC.

Article 18 The securities holding records issued by CSDC shall be a valid certificate proving the investors of southbound trading enjoy the securities' rights and interests.

Investors of southbound trading shall not demand deposit or withdrawal of paper share certificates, unless otherwise stipulated by CSRC.

Article 19 CSDC, as the nominee, deposits the securities acquired by southbound trading investors in HKSCC in its name, and exercises the rights against securities issuers through HKSCC.

The securities held by southbound trading investors in the name of CSDC are registered in the register of shareholders of listed companies of The Stock Exchange of Hong Kong Limited ("HKSE") in the name of HKSCC (Nominees) Limited.

Article 20 CSDC handles the transfer of corresponding securities based on the settlement results of southbound trading.

Article 21 Non-trading transfer, pledge and assisted execution of southbound trading investors involved in inheritance, divorce, deprivation of corporate capacity, donation to foundation and the circumstances approved by competent authorities of the country shall refer to relevant business rules of CSDC.

Section 3 Nominee Services

Article 22 CSDC, as the nominee, provides nominee services for southbound trading investors through domestic settlement participants.

Article 23 Nominee services provided by CSDC include distribution of cash dividends, subscription for shares with dividend interests, distribution of bonus shares, rights issue within the limit, public offering within the limit, share split and consolidation, voting, company acquisition and issuance of holding certificates.

CSDC does not provide such services as initial public offering subscription, extra rights issue and extra public offering for the time being.

Article 24 The HKSE-listed securities not applicable to southbound trading, which are acquired by southbound trading investors due to such circumstances as distribution and conversion of southbound trading rights and interests and company acquisition can be sold, but shall not be purchased.

The HKSE-listed rights to subscribe for HKSE-listed stocks by southbound trading investors due to such circumstances as distribution and conversion of southbound trading rights and interests can be sold through southbound trading, but shall not be exercised.

The securities not listed on HKSE, which are acquired by southbound trading investors due to such circumstances as distribution and conversion of southbound trading rights and interests and company acquisition may enjoy related rights and interests, but shall not be bought or sold through southbound trading. The specific arrangements are determined by CSDC in consultation with HKSCC.

Article 25 When handling cash dividend distribution, CSDC shall complete currency exchange, clearing, distribution and other business procedures within three southbound trading days after receiving the foreign currency dividends funds from HKSCC or listed companies.

Article 26 CSDC deals with such business as distribution of shares and subscription for shares with dividend interests on the day of receiving equity securities or the next day, according to the time when distributed equity securities are delivered by HKSCC. Relevant equity securities are tradable on the next southbound trading day after the

business is handled. The first day when equity securities are tradable by southbound trading investors is one southbound trading day later than those tradable in the Hong Kong market.

CSDC deals with such services as distribution of shares and public offering on the day of receiving of equity securities according to the time when HKSCC delivers the shares arising from rights issue and public offering. The relevant equity securities are tradable on the next southbound trading day after the business is handled.

CSDC will ignore the fractional equity securities less than one share in the accounts of southbound trading investors. If the total number of equity securities acquired from HKSCC is more than that of equity securities in the accounts of southbound trading investors after ignoring the fractional shares, the difference shall be allocated according to the accurate algorithm.

Article 27 In the share split and consolidation, CSDC will convert share code and adjust the number of shares held in accounts according to the business rules of HKSE and HKSCC and the trading arrangements of SSE or SZSE.

The fractional shares in the accounts of southbound trading investors incurred by share split and consolidation shall be handled according to the provisions set forth in Section 3 of Article 26.

Article 28 CSDC provides voting services to summarize the voting will of southbound trading investors within the declaration period and submit it to HKSCC.

Southbound trading investors may vote for or against or abstain from voting on the same proposal according to the arrangements of a HKSE-listed company. If the total number of votes of southbound trading investors exceeds that of valid votes on the vote registration date or the voting cut-off date of HKSCC, CSDC will proportionally allocate it according to the total number of actual valid votes.

Article 29 In the compulsory company acquisition, CSDC will deregister corresponding shares of southbound trading investors according to the instructions of HKSCC.

In the conditional and unconditional non-compulsory company acquisition, CSDC will deregister corresponding shares according to the declaration of southbound

trading investors within the period of declaration. In case of deregistration due to conditional non-compulsory acquisition, CSDC will return corresponding shares according to the instructions of HKSCC.

CSDC shall complete the handling of funds or shares within three southbound trading days after receiving the acquisition funds paid or shares delivered by HKSCC.

Article 30 In case the underlying securities are delisted due to acquisition, CSDC may continue to provide nominee services for southbound trading investors according to relevant rules of CSRC and agreements signed with HKSCC.

Section 4 Clearing and Settlement

Article 31 CSDC, as a settlement institution participant in HKSCC, shall accept the instructions of SSE Securities Trading Service Company and SZSE Securities Trading Service Company, complete securities and fund settlement with HKSCC and assume the responsibility for settlement with HKSCC according to the business rules of HKSCC and the clearing data provided by HKSCC.

Article 32 Domestic settlement of southbound trading is completed by CSDC. CSDC, as the central counterparty of domestic settlement participants, provides multilateral net settlement services for southbound trading.

In case HKSCC fails to fully perform the obligations for settlement with CSDC due to default or bankruptcy, CSDC will allocate the securities and funds received from HKSCC to domestic settlement participants proportionally; with respect to the securities and funds not received, CSDC shall be only responsible for assisting domestic settlement participants to demand payment by HKSCC according to relevant legal procedures of Hong Kong, and proportionally allocate the securities and funds recovered to domestic settlement participants which have suffered losses.

Article 33 Securities and fund settlement shall follow the principle of multi-level settlement.

CSDC is responsible for handling the securities and fund clearing and settlement among domestic settlement participants, and domestic settlement participants shall perform the final responsibility for settlement with CSDC according to their clearing obligations determined when trades are concluded.

Domestic settlement participants are responsible for handling securities and fund clearing and settlement with southbound trading investors. Securities transfer between domestic settlement participants and southbound trading investors shall be entrusted to CSDC.

Article 34 Except for risk management business that is settled in RMB, the other business between CSDC and HKSCC shall be settled in the currency as determined by HKSCC.

CSDC and domestic settlement participants use RMB as their settlement currency; if relevant competent department specially requires, they can use other currencies as settlement currencies.

Article 35 Domestic settlement participants shall respectively apply to Shanghai and Shenzhen branches of CSDC for customers' and proprietary southbound trading settlement reserve accounts, which are used in the fund settlement for southbound trading business.

Minimum settlement reserves are not required for the customers' and proprietary southbound trading settlement reserve accounts of domestic settlement participants.

Article 36 Upon receipt of interest from settlement banks and HKSCC, CSDC will allocate interest based on the accumulated amount in the southbound trading fund accounts of each domestic settlement participant within the interest period.

Article 37 At the end of a southbound trading day ("T day"), Shanghai and Shenzhen branches of CSDC conducts securities and fund clearing respectively based on the transaction results provided by SSE Securities Trading Service Company and SZSE Securities Trading Service Company and non-trading data uploaded by each domestic settlement participant and generated by CSDC according to business rules.

If HKSCC adjusts the clearing results on T day, CSDC adds the adjusted data to the clearing data of the current day at the end of the day, after receiving the adjusted data from HKSCC on T+1 day.

Article 38 Fund clearing shall follow the principle of "first foreign currency clearing and then RMB clearing".

Fund clearing includes the clearing of trading funds, risk management funds,

corporate action funds, securities portfolio fees and related taxes and fees and other non-trading funds.

Among them, securities portfolio fees are calculated according to the market value of securities held in each securities account at the end of each natural day.

Article 39 Before the start of a southbound trading day, after CSDC receives the HKD vs. RMB buying and selling reference prices of the day provided by southbound trading settlement banks, it will publish them to the market through SSE and SZSE in time.

After the closure of a southbound trading day, Shanghai and Shenzhen branches of CSDC respectively exchange currencies with southbound trading settlement banks based on the southbound trading amount to be settled, and the exchange cost shall be apportioned to each transaction according to the trading amounts on SSE and SZSE.

CSDC exchanges funds such as the dividends arising from corporate actions and company acquisition funds according to the exchange rate determined in consultation with southbound trading settlement banks.

Article 40 The settlement period and time of various funds of domestic settlement participants are as follows:

- i. The settlement period and time of corporate action funds and risk management funds are T+1 and 10:30;
- ii. The settlement period and time of securities portfolio fees are T+1 and 18:00;
- iii. The settlement period and time of net payable trading funds are T+2 and 10:30;
- iv. The settlement period and time of net receivable trading funds are T+2 and 18:00.

CSDC reserves the right to adjust the settlement time arrangements above when necessary.

Article 41 CSDC conducts securities settlement on T+2 day based on the clearing results.

In case HKSCC can not deliver securities and conduct cash settlement with CSDC, CSDC will deal with corresponding business based on the principles of HKSCC.

Article 42 The settlement calendar arrangement for southbound trading business is determined by CSDC based on the settlement calendar of HKSCC and the southbound

trading calendars of SSE and SZSE and such factors as fund transfer and risk management, and made public in advance.

If HKSCC temporarily makes special settlement arrangements for the reasons of typhoon signal and black rainstorm, CSDC shall deal with it as the case may be and inform domestic settlement participants in time.

Should CSDC be unable to carry on southbound trading business normally due to typhoon, earthquake and other natural disasters on the mainland or other reasons, the settlement arrangements between CSDC and HKSCC shall be made according to the agreement between CSDC and HKSCC; the settlement arrangements between CSDC and domestic settlement participants shall be made with reference to the settlement arrangements relating to A shares.

Section 5 Risk Management

Article 43 According to the principle that "market settlement risk in the two places shall be segregated", domestic settlement participants are not required to pay HKSCC's guarantee fund with mutual guarantee functions, or share the losses possibly incurred by the default of HKSCC's participants in HKSE market.

Article 44 Domestic settlement participants shall formulate sound risk control rules in accordance with the Rules.

With respect to the securities accounts with uncompleted business, domestic securities companies in SH-HK Stock Connect shall restrict the cancellation of designated trades in these accounts. The custodian transfer in SZ-HK Stock Connect shall be conducted with reference to the rules relating to A shares.

Article 45 Domestic settlement participants shall respectively apply to Shanghai and Shenzhen branches of CSDC for customers' and proprietary southbound trading risk control fund accounts, which are used to deposit the southbound trading risk management funds payable.

Article 46 Based on the risk management requirements of HKSCC, Shanghai and Shenzhen branches of CSDC respectively charges marks payment and deposit from domestic settlement participants according to uncompleted settlement positions of domestic settlement participants.

If HKSCC respectively charges centralized security deposits from Shanghai and Shenzhen branches of CSDC, Shanghai and Shenzhen branches of CSDC shall collect proportionally according to the net buying amount of relevant high-risk securities of domestic settlement participants.

Article 47 At the end of T day, Shanghai and Shenzhen branches of CSDC shall calculate the marks payment payable by domestic settlement participants respectively based on the difference between the net transaction amount of uncompleted settlement positions of domestic settlement participants on different settlement days and the latest market value on T day according to relevant calculation and collection principle, and settle on T+1 day.

Article 48 At the end of T day, Shanghai and Shenzhen branches of CSDC shall calculate deposit position respectively according to the net trading amount of unsettled position of domestic settlement participants, latest market value on T day and securities holding, and then calculate the deposit payable by settlement participants based on the deposit ratio and multiplier, which shall be paid on T+1 day.

Article 49 Shanghai and Shenzhen branches of CSDC may submit the securities in its nominee account to HKSCC according to its relevant business rules, as the settlement collateral for unsettled net securities sold.

Article 50 Domestic settlement participants in southbound trading business must pay settlement margin of RMB200,000 by settlement participant to Shanghai and Shenzhen branches of CSDC respectively, which shall be included in the scope of mutual guarantee according to the settlement margin management requirements.

Article 51 Should a domestic settlement participant be unable to complete fund settlement at the time of settlement, it shall be deemed as default on fund settlement and CSDC may have the rights to take the following measures:

i. Collection of default fine and advance interest:

Default fine= $\max[\text{intraday settlement default amount, end-of-day settlement default amount}] \times 0.1\% \times \text{default days}$

Advance interest= End-of-day settlement default amount \times Domestic RMB account interest rate determined in consultation with settlement banks \times default days/360

ii. Domestic settlement participants shall designate the southbound trading securities not settled temporarily on the default day. If a domestic settlement participant fails to designate or its designation is insufficient, CSDC has the right to withhold the settlement participant's proprietary securities to the extent of the default amount.

iii. CSDC has the right to dispose of the withheld securities and the interests associated therewith from the next southbound trading day after the settlement default, with the proceeds to be used to offset the default amount and the remainder to be returned to domestic settlement participants. In case of inability to offset the default amount, CSDC has the right to continue to demand payment. The detailed disposal methods and procedures will be otherwise stipulated by CSDC.

Article 52 In case a domestic settlement participant substantially violates laws or regulations, CSDC has the right to suspend whole or part of its settlement qualifications for southbound trading, and request SSE or SZSE to restrict whole or part of its buying transactions in southbound trading.

Section 6 Management of Settlement Banks

Article 53 A settlement bank applying for cross-border southbound trading settlement business must meet the following conditions:

- i. The settlement bank has secured the settlement bank qualification from CSDC according to the requirements of the Measures for the Administration of Securities Fund Settlement of Settlement Banks, and is entitled to provide settlement services for all settlement participants of CSDC;
- ii. The settlement bank has set up branches satisfying local regulatory requirements in Shanghai, Shenzhen and Hong Kong;
- iii. The settlement bank has all business qualifications in connection with RMB and foreign exchange, and has a business duration of not less than five years;
- iv. The settlement bank has total assets and net assets of not less than RMB5 trillion and RMB400 billion respectively;
- v. If the settlement bank is a designated account bank, it shall have become HKSCC's designated bank for Hong Kong, and has the qualifications for and experience in completing fund settlement as a participant of HKSCC;

- vi. The settlement bank has a real time transfer system between Shanghai and Hong Kong and between Shenzhen and Hong Kong, which can ensure the funds are transferred on a real time basis;
- vii. The settlement bank shall respectively provide free intraday credit limits of at least RMB20 billion or equivalent of HKD and overnight credit limits of at least RMB12 billion or equivalent of HKD to Shanghai and Shenzhen branches of CSDC;
- viii. The settlement bank has developed sound cross-border fund settlement risk management rules and emergency response plan;
- ix. The settlement bank shall comply with the business rules, business guide and other relevant business regulations formulated by CSDC, and has signed settlement and exchange business agreements with CSDC; and
- x. Other conditions as required by CSDC.

Article 54 A settlement bank applying for cross-border southbound trading settlement business must submit the following written documents to CSDC:

- i. Application report, including basic information, qualifications and conditions;
- ii. Application form;
- iii. Letter of commitment of providing credit limits to CSDC;
- iv. Risk management rules and emergency response plans for southbound trading fund settlement business; and
- v. Other documents as required by CSDC.

Article 55 If CSDC approves the above application, the settlement bank's Shanghai (Shenzhen) and Hong Kong branches shall sign supplementary agreements or business memorandums with Shanghai (Shenzhen) branch of CSDC respectively with respect to the daily business procedures, technical system connection and emergency response involved in the southbound trading fund settlement business, according to the agreement on securities trading settlement fund management signed by the head office of the settlement bank and CSDC.

Article 56 The southbound trading settlement business of settlement banks not mentioned in the Rules shall comply with relevant rules of CSDC for the administration of settlement banks.

Chapter IV Supplementary Provisions

Article 57 The terms in the Rules shall have the meanings as follows:

Rights issue means a HKSE-listed company makes a rights issue offer to existing securities holders, allowing them to subscribe for its securities in proportion to the securities held by them. Eligibility for rights issue can be assigned in the secondary market. It can be oversubscribed, and the number of securities transferred with the part of oversubscription is dependent on the lot winning rate.

Public offering means a HKSE-listed company makes an offer to existing securities holders, allowing them to subscribe for its securities. Except for relevant interests that cannot be transferred in the secondary market, the remaining arrangements are basically same as rights issue.

Subscription for shares with dividend interests means investors choose stocks instead of cash when a HKSE-listed company distributes dividends including dividend options.

Accurate algorithm means, after the securities acquired in investors' accounts are rounded, those less than one share per portion are sorted in descending order according to the digits after the decimal point (if the digits after the decimal point are the same with each other, they shall be sorted by the electronic settlement system randomly) and registered as one share per portion until the number of securities received by CSDC from HKSCC is equal to the sum of securities secured in investors' accounts.

T day means a southbound trading day.

T+N day means the Nth southbound trading settlement day following a southbound trading day.

Securities portfolio fees mean the depository and corporate action service fees charged by HKSCC according to the descending fee standards, based on the market value of Hong Kong-listed shares held in the nominee account of CSDC at the end of each natural day. CSDC charges fees on each domestic securities account holding Hong Kong-listed shares, based on the same standards.

Marks payment means, after the closure of each day, CSDC calculates the sum

payable by participants for the unsettled positions of each security in their reserve accounts on different settlement days, according to relevant calculation and collection principles, based on the difference between their latest market value and the corresponding trading amount.

Unsettled positions mean the amount of various receivable and payable securities in each securities account, which are traded but have not been settled on each trading day, generally including the positions traded but unsettled on the previous day and on the current day. In case of special settlement period arrangements, the positions shall also include those arising on previous trading days, and shall have been settled on the current day but are deferred to the next day for settlement.

Deposit means Shanghai and Shenzhen branches of CSDC respectively calculate the sum payable by each domestic settlement participant for its deposit positions in each reserve account according to the deposit ratio and parameters, after the closure of each day.

Deposit positions mean Shanghai and Shenzhen branches of CSDC, after the closure of each day, respectively deduct the guaranteed securities value in each reserve account that can be used as eligible short positions from the latest market value of net buying and selling positions unsettled in each reserve account of domestic settlement participants, the bigger one of which will be used to calculate the basic value of deposit.

Deposit ratio means the ratio set by HKSCC based on the largest two-day volatility of Hang Seng Index in the past.

Deposit multiplier means the parameters used by Shanghai and Shenzhen branches of CSDC to adjust the deposit collection proportions of domestic settlement participants based on their risk conditions.

Centralized security deposit means a kind of risk control fund charged by HKSCC from a settlement participant if the long position value of unsettled high-risk securities in the name of the settlement participant is bigger than two times of its liquid capital and also bigger than the benchmark centralized value determined by HKSCC from time to time.

High-risk security means a security whose closing price on the previous day rises or drops more than 10% in comparison with that on the day before the previous day.

Article 58 CSDC does not provide cross-border custodian transfer services for SH-HK and SZ-HK southbound trading.

Article 59 Tax arrangements relating to SH-HK and SZ-HK southbound trading shall comply with the regulations of the national tax authority.

Article 60 The Rules and the amendments thereto shall become effective upon approval by CSRC.

Article 61 The Rules shall be revised and interpreted by CSDC.

Article 62 The Rules shall come into effect on September 30, 2016. The original Rules for the Implementation of Registration, Depository and Settlement Business of Shanghai-Hong Kong Stock Connect (Z.G.J.S.F.Z. [2014] No. 109) shall be annulled simultaneously.

Appendix

Shanghai-Hong Kong and Shenzhen-Hong Kong Southbound Trading

Registration and Settlement Charging Arrangements and Standards

I. CSDC charges transaction transfer fee on Shanghai-Hong Kong and Shenzhen-Hong Kong southbound trading business according to the current charging standards. Charging standards are as follows:

Fee item	Fee standards	Fee object	Charging unit
Transaction transfer fee (registration transfer fee)	0.02‰ of the transaction amount in RMB (Two-way charging)	Investors of buying and selling	CSDC

II. With respect to southbound trading business, CSDC shall charge share settlement fee and securities portfolio fees on behalf of HKSCC according to its charging standards; CSDC charges transaction transfer fee and pledge registration fee on non-trading transfer and pledge registration business of southbound trading. Charging standards are as follows:

Fee item	Fee standards	Fee object	Charging unit
Share settlement fee	0.002% of transaction amount (in HKD), with the minimum and maximum fees of HKD2 and HKD100 (two-way charging) respectively.	Settlement participants	HKSCC
Securities portfolio fees	Charge based on the market value (in HKD) of securities held at the end of each natural day, with fee rates as follows: 0.008% annually for the market value of less than RMB50 billion (inclusive) 0.007% annually for the market value of RMB50 billion-RMB250 billion (inclusive) 0.006% annually for the market value of RMB250 billion-RMB500 billion (inclusive) 0.005% annually for the market value of RMB500 billion-RMB750 billion (inclusive) 0.004% annually for the market value of RMB750 billion-RMB1 trillion (inclusive) 0.003% annually for the market value of more than RMB1 trillion	Settlement participants	HKSCC
Non-trading transfer fee	1‰ of the market value (in HKD) of the transferred shares, with a maximum of RMB100,000 (two-way charging).	Investors of transfer	CSDC

Pledge registration fee	1‰ of the market value (in HKD) for the part with a market value of HKD5 million or below, and 0.1‰ of the market value (in HKD) for the part with a market value of more than HKD5 million.	Pledge registration applicant	CSDC
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Notes: 1. The above fee items for southbound trading are calculated in HKD and charged in RMB based on applicable exchange rate;

2. For other fee items for southbound trading, such as custodian transfer fee and inquiry fee, please refer to the Guide of CSDC Shanghai Branch to Southbound Trading Depository and Settlement Business and the Guide of CSDC Shenzhen Branch to Southbound Trading Depository and Settlement Business.