

NOVEMBER 2014 | GLOBAL EQUITY FLOW

SHANGHAI-HONG KONG STOCK CONNECT

THE LONG MARCH TO CAPITAL MARKET OPENING

MUST KNOW

- **Launch date** is November 17th 2014.
- First scheme opened to **all overseas investors** (no lock-up, less administration)
- **Capital Gain Tax (CGT)** is the main pending issue (possible tax exemption during first phase)
- Specific **pre-trade checking mechanism** (pre-delivery for sells)
- **Race to the quota** to be expected (though predatory behavior should be limited)
- A-H premiums **expected to narrow** further but not disappear (taxation, interest rate, currency...)

TRADING RULES

- Limit orders only with **+/-10%** max deviation versus previous close (+/-5% for stocks under alert)
- Tick size of **0.01 RMB** on all stocks
- Board lot of **100 shares**, can only sell odd lots
- **No day trading**: buying and selling same stock on same day is banned
- **Extra 5-minute input period** to send orders for Northbound (9:10 – 11:30 / 12:55 – 15:00)
- **Daily quota** reduced for each buy order received and increased for each cancel (information disseminated every 5 seconds)

STOCK CONNECT/QFII/RQFII

	QFII	RQFII	Stock Connect (Northbound)
Date	November 2002	December 2011	November 2014
Eligible Applicant	Qualified Foreign Institutions only	Qualified institutions in HK, SG and London	All investors
Quota	Total Quota: USD 150bn Individual quota: USD50m-USD1bn.	Total quota: RMB400bn (USD 65.5bn) Individual quota: No minimum or maximum quota limit.	Aggregate quota: RMB 300 bn (USD 50bn) Daily quota: RMB 13 bn (USD 2bn) on a "first come first served" and net buy basis
Settlement	Stock : T / Cash : T+1	Stock : T / Cash : T+1	Stock : T / Cash : T+1
Tax	10% dividend tax 10% withholding for CGT	10% dividend tax 10% withholding for CGT	Pending
Short selling	NO	NO	Covered short only
FOL	Individual foreign investor : 10% of a listed company / Aggregate foreign investors : 30% of a listed company		

Source: HKEX, Shanghai Exchange, CSRC, SAFE

For more details on Stock Connect, see:
www.hkex.com.hk/chinaconnect

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