



ETF Trading Under Stock Connect to Commence 4 July 2022

On 28 June 2022, the Hong Kong Exchanges and Clearing Limited (**HKEx**) released a [circular](#) on the launch of the inclusion of Exchange Traded Funds (**ETFs**) in Stock Connect, stating that the official launch is set for 4 July 2022. The [initial list of eligible ETFs](#) has also been published, and the lists of all Stock Connect securities, including ETFs, will be available and updated from time to time on the [All Eligible Securities](#) webpage.

The HKEx, the Shanghai Stock Exchange (**SSE**), Shenzhen Stock Exchange (**SZSE**) and China Securities Depository and Clearing Corporation (**CSDC**) had previously agreed on the Stock Connect inclusion and trading arrangements, as well as eligibility criteria for ETFs. Charltons had previously written about the details of including ETFs into the Stock Connect [here](#). When the inclusion takes effect on 4 July 2022, trading of eligible SSE-listed ETFs through Shanghai Connect and trading of eligible SZSE-listed ETFs through Shenzhen Connect will, for the first time, be available to all Hong Kong and overseas investors including institutional and individual investors.

Joint Announcement by the CSRC and the SFC on the Approval of the Inclusion of Eligible ETFs in the Stock Connect

Following the [plans](#) made in May 2022 by the China Securities Regulatory Commission (**CSRC**) and the Securities and Futures Commission of Hong Kong (**SFC**) with an agreement in principle to include eligible ETFs in the mutual stock market access between the Mainland and Hong Kong - Stock Connect - and included non-finalised details on how the arrangement would work, the CSRC and SFC issued a [joint announcement](#) on 28 June 2022 approving the inclusion by Mainland and Hong Kong exchanges of eligible ETFs in the Stock Connect which stated that:

1. The CSRC and SFC have worked closely together to prepare for the inclusion of ETFs in the Stock Connect and that the relevant rules and operational and regulatory arrangements have been finalised, and that technical systems have been put in place;
2. The CSRC and SFC have agreed on matters relating to the inclusion of ETFs into the Stock Connect including on arrangements regarding cross-boundary regulatory cooperation, investor education, and other matters. There is a consensus that the two regulators will continue their efforts to educate investors and improve their investment knowledge relating to the inclusion of ETFs into the Stock Connect, while enhancing enforcement cooperation against cross-boundary illegal activities and market misconduct. They will also make timely and appropriate responses to any contingencies or major events in order to maintain the orderly operations of the Stock Connect in order to protect investors' interests; and
3. All parties who intend to participate in the trading of ETFs under the Stock Connect must familiarise themselves with the applicable regulatory requirements and operational rules to ensure that proper internal controls and risk management procedures are in place. The regulators also directed investors to be aware of the differences in laws, regulations, and market practices between mainland China and

Hong Kong and that investors should take appropriate measures to ensure compliance while managing their risks when investing through the Stock Connect.

HKEx Circular on the Launch of Including Eligible ETFs in the Stock Connect

The HKEx Circular issued on 28 June 2022, available [here](#), gives further details on the approval of the inclusion of ETFs to the Stock Connect with China Connect Exchange Participants (**CCEPs**) and Trade-through Exchange Participants (**TTEPs**) being requested to note the following information:

The initial list of ETFs eligible available for Northbound trading has been published and made available [here](#) on the HKEx website. The full list of China Connect Securities, including ETFs, that will be deemed eligible for Northbound trading will be available and published on the [All Eligible Securities](#) page, which will be updated from time to time. The full lists of China Connect Securities will have a new file layout for Northbound trading, which will commence trading on 4 July 2022, and will be posted after the close of market tonight on 29 June 2022.

A Post Release Test will be held on 2 July 2022 (Saturday) with participation optional, but CCEPs who wish to participate will be required to complete [the registration form](#) and return it to the HKEx on or before 29 June 2022. Full details for the rundown of the test will be sent to registered CCEPs by 30 June 2022.

Further Details on the Inclusion of Eligible ETFs in the Stock Connect

The circular includes further information available for reference in the form of the [Frequently Asked Questions](#), which is found on the HKEx's [Inclusion of ETFs in Stock Connect](#) website. The website also includes details on the [HKEx Orion Market Data Platform Specifications](#), as well as the [Daily Statistics for the Shanghai-Hong Kong Stock Connect](#), [Daily Statistics for the Shenzhen-Hong Kong Stock Connect](#), [Monthly Statistics for the Shanghai-Hong Kong Stock Connect](#), [Monthly Statistics of the Shenzhen-Hong Kong Stock Connect](#), [Northbound Eligible Stock Lists for the Shanghai-Hong Kong Stock Connect](#), and the [Northbound Eligible Stock Lists for the Shenzhen-Hong Kong Stock Connect](#). The [Initial List of ETFs Eligible for Northbound Trading](#) (data cut off was on 29 April 22) is also available on the site and was updated on 28 June 2022.

For a more detailed analysis on the inclusion of eligible ETFs in Stock Connect, see Charltons' [newsletter](#) dated 14 June 2022.

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