

**Follow-up actions arising from the meeting of the
Legislative Council Panel on Financial Affairs on 2 February 2015**

**Agenda Item III – Briefing by the
Secretary for Financial Services and the Treasury on relevant policy
initiatives in the Chief Executive's 2015 Policy Address**

Shanghai-Hong Kong Stock Connect

Purpose

At the Panel meeting held on 2 February 2015, Members requested for certain information on Shanghai-Hong Kong Stock Connect. This paper sets out the responses from the Financial Services and the Treasury Bureau (“FSTB”) and the Securities and Futures Commission (“SFC”).

Investor Education

2. On investor education, Hong Kong’s Investor Education Centre (“IEC”) is responsible for the education of Northbound (Hong Kong and overseas) investors while the Mainland's Investor Protection Bureau targets Southbound (Mainland) investors.

3. These education initiatives help investors understand the pilot programme and encourage them to be well prepared and make informed investment decisions. The focus is on key issues which retail investors need to note, in particular different rules and regulations, trading and settlement arrangements in Hong Kong and the Mainland, as well as A-share market risks, macroeconomic risks, liquidity risks and currency risks involved in cross-boundary investment. The IEC also reminds the public to be aware of the differences in investor protection rules, taxation and fees and charges arrangements.

4. The IEC has conducted investor education work through various channels and means, including its website, public seminars, print advertorials, media interviews and columns as well as programmes and

education video broadcast on television, online and outdoor media, and education messages on radio. The IEC is going to conduct a survey in the first quarter of 2015 to assess investor knowledge in order to further develop its future education plan.

Regulatory and disclosure requirements on companies listed on the Shanghai Stock Exchange (“SSE”)

5. Apart from the PRC national laws and SSE Rules, companies listed on the SSE are subject to various Mainland laws / regulations / decrees / announcements / decisions governing, among other things, disclosure, mergers and acquisitions, major asset restructurings and the conduct of shareholders’ meetings. Relevant regulations can be found on the China Securities Regulatory Commission (“CSRC”)’s website.

6. The main regulatory and disclosure requirements applicable to SSE-listed companies are set out in [Annex](#).

Investor Complaints

7. The SFC and the CSRC have established an arrangement for handling and referring requests from investors under Shanghai-Hong Kong Stock Connect.

8. Under the arrangement, requests from Hong Kong and overseas investors investing in Mainland stocks will be treated equally with those from Mainland investors. Investors under the Northbound Trading Link can file complaints directly with the CSRC, the SSE, the eligible Shanghai listed company or the clearing service provider for Shanghai stocks (i.e. China Securities Depository and Clearing Corporation Limited (“ChinaClear”)). In accordance with the principle of home supervisor regulation, requests from Mainland, Hong Kong and overseas investors on issues within the CSRC's jurisdiction will be handled by the CSRC in accordance with the relevant Mainland laws and regulations.

9. Hong Kong and overseas investors can also lodge requests with the SFC, which will refer them to the CSRC for further handling.

Risk Management Practices

10. Shanghai-Hong Kong Stock Connect is designed under the key principle of “home-market rules”, thus the risk management practices for Northbound trading follow largely those of the Mainland market. With the ChinaClear imposing the 20% Settlement Reserve Fund requirement on the Hong Kong Securities Clearing Company Limited (“HKSCC”), the HKSCC in turn imposes a 20% Mainland Settlement Deposit requirement on all Northbound Trading Clearing Participants. In fact, the ChinaClear also imposes a 20% Mainland Settlement Deposit requirement on clearing participants in the Mainland.

Financial Services and the Treasury Bureau
Securities and Futures Commission
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Regulatory and disclosure requirements on companies listed on the SSE

The main regulatory and disclosure requirements at three levels of PRC laws/rules applicable to SSE-listed companies are set out below:

- National law enacted by the National People's Congress : Securities Law (證券法) and Companies Law (公司法)
- CSRC regulations, in the form of CSRC decrees, announcements, decisions etc, including but not limited to:
 - 《上市公司信息披露管理辦法》
http://www.csrc.gov.cn/pub/newsite/flb/flfg/bmgz/ssl/201012/t20101231_189729.html
 - 一系列《公開發行證券的公司信息披露編報規則》，例如《公開發行證券的公司信息披露編報規則第 15 號 – 財務報告的一般規定》
http://www.csrc.gov.cn/pub/zjhpublic/G00306201/201412/t20141226_265704.htm
 - 《上市公司收購管理辦法》
http://www.csrc.gov.cn/pub/zjhpublic/zjh/201410/t20141024_262338.htm
 - 《上市公司重大資產重組管理辦法》
http://www.csrc.gov.cn/pub/zjhpublic/zjh/201410/t20141024_262340.htm
 - 《上市公司章程指引》
http://www.csrc.gov.cn/pub/zjhpublic/zjh/201410/t20141024_262335.htm
 - 《上市公司股東大會規則》
http://www.csrc.gov.cn/pub/zjhpublic/zjh/201410/t20141024_262337.htm

- 《關於改革完善並嚴格實施上市公司退市制度的若干意見》
http://www.csrc.gov.cn/pub/zjhpublic/zjh/201410/t20141017_261947.htm

- SSE rules

- 《上市規則》
http://www.sse.com.cn/lawandrules/sserules/listing/stock/c/c_20141019_3848835.shtml
- 《上市公司重大資產重組信息披露及停復牌業務指引》
http://www.sse.com.cn/lawandrules/sserules/listing/stock/c/c_20150109_3871838.shtml