



Mainland-Hong Kong Stock Connect

Figure 1 – Eligible stocks under Stock Connect^{(1), (2), (3)}

	Shanghai-Hong Kong	Shenzhen-Hong Kong
Launch date	17 November 2014	5 December 2016
Northbound trade		
• Eligible for buy & sell:	579	802
• Eligible for sell only:	360	493
• Total:	939	1 295
Southbound trade ⁽³⁾	318	488
Total	1 257	1 783
Grand total	2 722	

- Notes: (1) The figures are updated as of 30 September 2020.
 (2) "Sell only" stocks are stocks that were once eligible to be traded (for both buy and sell trades) through Stock Connect but subsequently ceased being able to meet the eligibility criteria for Stock Connect. Investors will only be allowed to sell but restricted from buying such shares.
 (3) There are overlaps between the lists of eligible stocks for southbound trade under the two trade links.

Figure 2 – Daily quota under Stock Connect

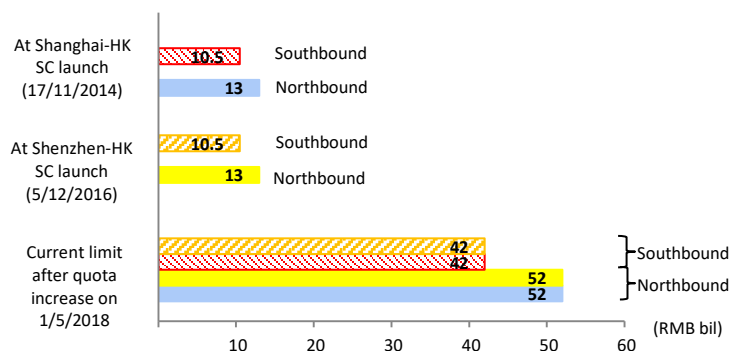


Figure 3 – Industry breakdown of Stock Connect eligible stocks in HKEx, SSE and SZSE⁽¹⁾

	Industry	Share
HKEx	Properties and Construction	16.8%
	Consumer Discretionary	16.0%
	Industrials	15.6%
	Financials	12.3%
	Health Care	8.8%
	Others	30.5%
	Total	100%
SSE	Manufacturing	49.8%
	Finance	7.5%
	Wholesale and retail	6.3%
	Transportation	6.0%
	Real estate	5.3%
	Others	25.1%
	Total	100%
SZSE	Manufacturing	62.6%
	Information transmission, software & information technology service	12.4%
	Real estate	3.2%
	Wholesale and retail	3.0%
	Finance	2.6%
	Others	16.1%
	Total	100%

- Note: (1) Industry breakdowns are according to official industry classifications adopted by the respective exchanges, which are the China Securities Regulatory Commission industry codes for SSE and SZSE, and the Hang Seng Industry Classification System for HKEx, respectively.

Highlights

- The Mainland-Hong Kong Stock Connect programme ("Stock Connect") consists of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. The former was launched on 17 November 2014 to enable mutual market access between the Shanghai Stock Exchange ("SSE") and the Stock Exchange of Hong Kong Limited ("HKEx"). The latter was launched on 5 December 2016 to enable mutual market access between the Shenzhen Stock Exchange ("SZSE") and HKEx.
- By allowing Hong Kong and international investors to directly trade shares listed on SSE and SZSE ("northbound trade") and qualified Mainland investors to directly trade shares listed on HKEx ("southbound trade"), Stock Connect contributes to the further opening-up of the capital markets of the Mainland and also reinforces Hong Kong's position as an international financial centre and a premier offshore RMB hub. The programme currently covers more than 2 700 eligible shares in total (Figure 1).
- Trading under Stock Connect is subject to a daily quota, which limits the maximum net buy value of cross-boundary trades. The daily quota on northbound trade was initially set at RMB13 billion (HK\$14.7 billion) and was increased to RMB52 billion (HK\$58.9 billion) on 1 May 2018 for each of the Shanghai-Hong Kong and Shenzhen-Hong Kong trade links. The southbound daily quota was initially set at RMB10.5 billion (HK\$11.9 billion) and was subsequently increased to RMB42 billion (HK\$47.6 billion) on 1 May 2018 for each of the trade links (Figure 2).
- Stock Connect eligible stocks listed on the three participating exchanges differ considerably in terms of industry coverage (Figure 3). Manufacturing weighs heavily among Stock Connect eligible stocks in both SSE and SZSE, while the top two industries represented by Stock Connect eligible stocks in HKEx are Property and Construction and Consumer Discretionary, reflecting the different emphases of the economies of Hong Kong, Shanghai and Shenzhen. Stock Connect thus offers a platform for investors in the Mainland and Hong Kong to diversify their investment portfolios.

Mainland-Hong Kong Stock Connect (cont'd)

Figure 4 – Average daily turnover of Shanghai-Hong Kong Stock Connect

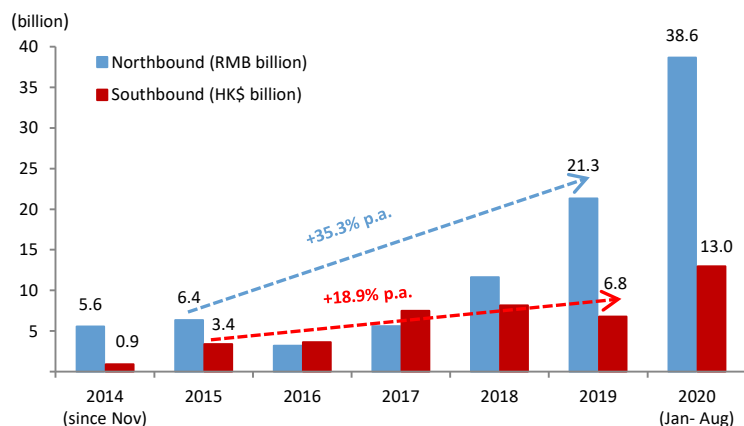


Figure 5 – Average daily turnover of Shenzhen-Hong Kong Stock Connect

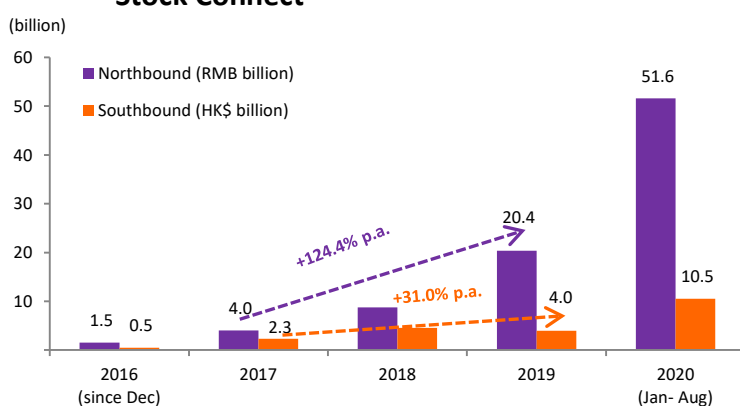
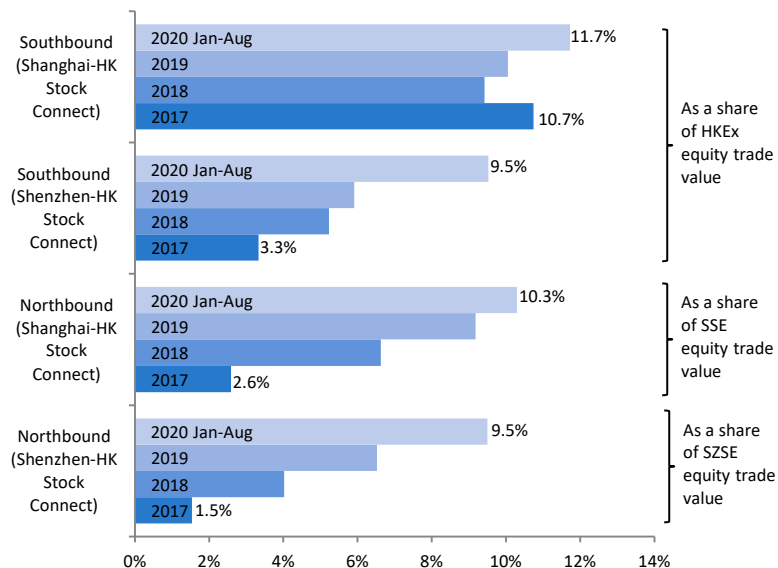


Figure 6 – Stock Connect as a share of market turnover^{(1), (2)}



Notes: (1) Southbound figures indicate southbound Stock Connect trade value as a percentage of HKEx's total equity trade value.
 (2) Northbound figures indicate northbound Stock Connect trade value as a percentage of total equity trade values of SSE and SZSE respectively.

Highlights

- Under Shanghai-Hong Kong Stock Connect, turnover of northbound trade grew at 35.3% per annum ("p.a.") on average from 2015 to 2019, compared to the average of 18.9% p.a. for southbound trade (Figure 4). Similarly, turnover of northbound trade under Shenzhen-Hong Kong Stock Connect also grew at a significantly higher rate than southbound trade, with northbound and southbound trades growing at 124.4% p.a. and 31.0% p.a. on average respectively between 2017 and 2019 (Figure 5). Investor eligibility criteria may have contributed in part to the relatively faster growth of northbound trade. Specifically, all Hong Kong and overseas investors are allowed to invest in the Mainland markets through Stock Connect. On the other hand, only Mainland institutional investors and those individual investors who hold an aggregate balance of not less than RMB500,000 (HK\$566,600) in their securities and cash accounts are allowed to trade through Stock Connect.
- Stock Connect is becoming an increasingly important source of funds in all three markets involved. In the first eight months of 2020, southbound trade accounted for 21.3% of the total equity trade value of HKEx (with 11.7% through Shanghai-Hong Kong Stock Connect and 9.5% through Shenzhen-Hong Kong Stock Connect). During the same period, northbound trade accounted for 10.3% and 9.5% of the total equity trade value of SSE and SZSE respectively (Figure 6).
- To cope with the increasing integration of the markets, the Securities and Futures Commission and the China Securities Regulatory Commission have been working to modernise their regulatory regimes and strengthen regulatory cooperation in order to enable effective monitoring and surveillance. To that end, an investor identification regime for northbound trading was introduced on 26 September 2018 and a similar regime for southbound trading was launched on 13 January 2020.

Data sources: Latest figures from the Securities and Futures Commission, the Stock Exchange of Hong Kong Limited, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, and Thomson Reuters.

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 29 October 2020
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