

# Markets

## Further enhancing Stock Connect

We have reached a consensus with the China Securities Regulatory Commission to introduce block trading (manual trades) under Stock Connect, on which we issued a joint announcement in August. This initiative will further enhance trading efficiency and promote the mutual development of the Mainland and Hong Kong capital markets.

Once implemented, offshore investors will be able to conduct block trades on the Shanghai Stock Exchange and Shenzhen Stock Exchange through the northbound trading link, whilst Mainland investors can use the southbound trading link to conduct manual trades on the Stock Exchange of Hong Kong Limited. The exchanges and clearing houses on both sides are working together on the implementation details. The official launch date will be announced in due course.

## Amending rules for position limit regime

Following our further consultation conclusions on proposed changes to the position limit regime for the derivatives market published in June, we are working on legislative amendments to the Securities and Futures (Contracts Limits and Reportable Positions) Rules. We expect the amended rules to take effect in December 2023, subject to the legislative process.

## OTC derivatives

### Consultation conclusions on clearing rules

We concluded a joint consultation with the Hong Kong Monetary Authority in August on proposed amendments to the Clearing Rules<sup>1</sup> for over-the-counter (OTC) derivative transactions. The proposals are in line with the global interest rate benchmark reform, particularly the transition from the use of interbank offered rates to alternative reference rates. We received broad support for our proposals. Subject to the legislative process, we aim to implement the proposed changes in July 2024.

### Implementation of Transactions Reporting Regime

The OTC Securities Transactions Reporting Regime became effective on 25 September. We issued a circular in August to remind Relevant Regulated Intermediaries<sup>2</sup> about the testing and preparation work for reporting under the new regime.

### Automated trading services

As of 30 September, there were 53 automated trading services (ATS) providers<sup>3</sup> authorised under Part III of the Securities and Futures Ordinance (SFO), while 29 corporations, including 13 dark pool operators, were licensed under Part V of the SFO to provide ATS.

## ATS providers

	As at 30.9.2023	As at 31.3.2023	Change (%)	As at 30.9.2022	YoY change (%)
Under Part III	53	51	3.9	51	3.9
Under Part V	29	28	3.6	27	7.4

<sup>1</sup> The Securities and Futures (OTC Derivative Transactions—Clearing and Record Keeping Obligations and Designation of Central Counterparties) Rules.

<sup>2</sup> These refer to SFC-licensed corporations and registered institutions subject to the OTC Securities Transactions Reporting Regime under paragraph 5.7 of the Code of Conduct for Persons Licensed by or Registered with the SFC.

<sup>3</sup> Under the SFO, two regimes regulate ATS providers. Typically, those that offer facilities similar to those of a traditional exchange or a clearing house are authorised under Part III of the SFO. Intermediaries which provide dealing services with ATS as an added facility are licensed under Part V of the SFO.