



## NOTICE OF AUTHORIZATION TO PROVIDE AUTOMATED TRADING SERVICES

### ISSUED TO CHINA INNOVATION MARKET SERVICE COMPANY LIMITED

《中國創盈市場服務有限公司》

### UNDER SECTION 95 OF THE SECURITIES AND FUTURES ORDINANCE

## INTRODUCTION

### *Background*

1. On 16 August 2016, the China Securities Regulatory Commission (**CSRC**) and the Securities and Futures Commission (**SFC**) issued a joint announcement noting that they had approved, in principle, the establishment of mutual access between Shenzhen and Hong Kong stock markets (**Shenzhen-Hong Kong Stock Connect** 《深港股票市場交易互聯互通機制》), which would operate among the following entities –
  - (1) Shenzhen Stock Exchange 《深圳證券交易所》 (**SZSE**), which is regulated by the CSRC under the Measures for the Administration of Stock Exchanges 《證券交易所管理辦法》,
  - (2) The Stock Exchange of Hong Kong Limited 《香港聯合交易所有限公司》 (**SEHK**), which is a recognized exchange company under the Securities and Futures Ordinance (Cap 571, **SFO**),
  - (3) China Securities Depository and Clearing Corporation Limited 《中國證券登記結算有限責任公司》 (**CSDC**), which is regulated by the CSRC under the Securities Depository and Clearing Rules 《證券登記結算管理辦法》, and
  - (4) Hong Kong Securities Clearing Company Limited 《香港中央結算有限公司》 (**HKSCC**), which is a recognized clearing house under the SFO.
2. On 11 October 2016, SZSE, SEHK, CSDC and HKSCC entered into an agreement 《四方協議》 which sets out the parties' agreed framework for establishing Shenzhen-Hong Kong Stock Connect. The detailed arrangements for the operation of Shenzhen-Hong Kong Stock Connect will be set out in rules and procedures, in the case of SZSE and CSDC as approved by the CSRC and in the case of SEHK and HKSCC as approved by the SFC.
3. The CSRC and SFC are parties to the following (collectively, **Regulatory Agreements**) which will also apply in relation to Shenzhen-Hong Kong Stock Connect –
  - (1) the Multilateral Memorandum of Understanding of the International Organization of Securities Commissions which provides for consultation, cooperation, and exchange of information for the purpose of regulatory enforcement regarding securities markets, and to which the CSRC and SFC are signatories, and
  - (2) the Memorandum of Understanding (dated 3 November 2016) between the CSRC and the SFC on strengthening of regulatory and enforcement cooperation under the mutual access between the Mainland and Hong Kong stock markets.



## Shenzhen-Hong Kong Stock Connect

### 4. Under Shenzhen-Hong Kong Stock Connect –

- (1) SEHK and SZSE will establish mutual market connectivity and related technical infrastructure (**Trading Links**) to enable investors trading through Mainland securities firms that are participants of SZSE (**Southbound investors**) to trade certain securities listed on the SEHK (**SEHK securities**), and investors trading through Hong Kong brokers that are participants of SEHK (**Northbound investors**) to trade certain securities listed on the SZSE (**SZSE securities**).
    - (a) Orders from Northbound investors to trade SZSE securities will be routed through Gangyu Information Services (Shenzhen) Limited 《港裕信息服務（深圳）有限公司》 (a wholly owned subsidiary of SEHK established in Shenzhen, **SEHK-subsiary**) for execution on SZSE.
    - (b) Orders from Southbound investors to trade SEHK securities will be routed through China Innovation Market Service Company Limited 《中國創盈市場服務有限公司》 (a wholly owned subsidiary of SZSE established in Hong Kong, **SZSE-subsiary**) for execution on SEHK.
  - (2) HKSCC and CSDC will establish mutual connectivity and related technical infrastructure to provide arrangements for the clearing and settlement of trades executed through the Trading Links (including the provision of depository, nominee and other related services).
    - (a) For trades of Northbound investors executed on SZSE, CSDC will act as the host central counterparty (**CCP**), and HKSCC will become a participant of CSDC. HKSCC will take up the settlement obligations in respect of all such trades, and settle them directly with CSDC.
    - (b) For trades of Southbound investors executed on SEHK, HKSCC will act as the host CCP, and CSDC will become a participant of HKSCC. CSDC will take up the settlement obligations in respect of all such trades, and settle them directly with HKSCC.
5. The trading services and facilities provided by SZSE-subsiary under Shenzhen-Hong Kong Stock Connect constitute the provision of automated trading services (as defined in the SFO, **ATS**).

#### *Application submitted*

6. SZSE-subsiary has applied to be authorized under section 95(2) of the SFO to provide ATS in connection with its provision of services and facilities under Shenzhen-Hong Kong Stock Connect.

### **AUTHORIZATION**

7. In view of the matters described in paragraphs 1 to 6 above, and pursuant to section 95(2) of the SFO, the SFC hereby authorizes SZSE-subsiary to provide ATS for the purposes of facilitating the conduct of trading under Shenzhen-Hong Kong Stock Connect which has been routed as described in paragraph 4(1) above, and subject to the conditions set out in paragraphs 8 to 15 below.



## CONDITIONS

### *General*

8. In providing ATS, SZSE-subsiary must conduct its business, operations and affairs in a manner that is honest, fair and consistent with the principles, procedures and standards reflected in the SFC's Guidelines on the Regulation of Automated Trading Services.

### *Operations*

9. SZSE-subsiary shall only provide ATS for the purposes of facilitating the conduct of trading under Shenzhen-Hong Kong Stock Connect which has been routed as described in paragraph 4(1) above.

### *Reporting and disclosure requirements*

10. SZSE-subsiary must inform the SFC of the following as soon as practicable after becoming aware of the same –
  - (1) any material change to information provided in connection with its ATS application,
  - (2) any system or operational failures or defects arising in connection with its provision of services or facilities under Shenzhen-Hong Kong Stock Connect, and remedial steps taken, and
  - (3) any breach, or potential breach, of any of the conditions of SZSE-subsiary's authorization to provide ATS.
11. SZSE-subsiary must provide to the SFC monthly reports relating to its business and operations, and to any trading conducted through Shenzhen-Hong Kong Stock Connect. Such reports should be provided within two weeks after the end of the relevant month, and should include such information as the SFC may from time to time specify.
12. SZSE-subsiary must provide to the SFC, within the time and in the manner specified, such information and documents relating to its business and operations or to any trading conducted through Shenzhen-Hong Kong Stock Connect as the SFC may at any time, and from time to time reasonably request.
13. Upon prior written notice, SZSE-subsiary must provide to the SFC information relating to transactions executed, or submitted for execution on SEHK under Shenzhen-Hong Kong Stock Connect for the purposes of any inquiry or investigation by the SFC under the SFO. Such information disclosure can be facilitated by the Regulatory Agreements.
14. To the extent that –
  - (1) any records (including audit trails) in respect of transactions executed, or submitted for execution, on SEHK via (or in the name of) SZSE-subsiary under Shenzhen-Hong Kong Stock Connect are kept with SZSE, and
  - (2) such records are needed to comply with any of the conditions of SZSE-subsiary's authorization to provide ATS,

SZSE-subsiary must ensure that it has, at all times, sufficient access to such records to comply with those conditions.



*Service*

15. Any notice or other document issued or served by the SFC on SZSE-subsiary in connection with this authorization shall be regarded as duly served if served in any of the following ways--

- (1) delivered by hand to, left at, or sent by post to, SZSE-subsiary's last known address as notified to the SFC in writing or to its registered address in Hong Kong,
- (2) sent by facsimile transmission to its last known facsimile number as notified to the SFC in writing, or
- (3) sent by electronic mail transmission to its last known electronic mail address as notified to the SFC in writing.

**SECURITIES AND FUTURES COMMISSION  
DATED: 8 November 2016**