



**NOTICE OF AUTHORIZATION TO PROVIDE AUTOMATED TRADING SERVICES
ISSUED TO CHINA SECURITIES DEPOSITORY AND
CLEARING (HONG KONG) COMPANY LIMITED
UNDER SECTION 95 OF THE SECURITIES AND FUTURES ORDINANCE**

INTRODUCTION

1. On 15 November 2019, the China Securities Regulatory Commission (**CSRC**) announced a market-wide H-share full circulation initiative which would enable holders of unlisted shares in an H-share company (**Domestic Shares**) to convert such unlisted shares into H shares, and to thereafter: (i) hold them within Hong Kong Securities Clearing Company Limited (**HKSCC**)'s Central Clearing and Settlement System (**CCASS**); (ii) trade them on the Stock Exchange of Hong Kong Limited (**SEHK**); and (iii) acquire additional H shares in the same H-share company.
2. The scheme for implementing this initiative (**Scheme**) entails, among other things, that China Securities Depository and Clearing Corporation Limited (**CSDC**) and its wholly-owned subsidiary China Securities Depository and Clearing (Hong Kong) Company Limited (**CSDCHK**) will play certain roles in facilitating the conversion of Domestic Shares into H shares and their being subsequently held through CCASS. In the case of CSDCHK, this will include: (i) becoming a participant of HKSCC; (ii) providing various nominee and custodian services; and (iii) providing services to facilitate the clearing and settlement process.
3. In view of the above, CSDCHK has applied for authorization, under section 95(2) of the Securities and Futures Ordinance (**SFO**), to provide automated trading services (**ATS**).

AUTHORIZATION

4. Pursuant to section 95(2) of the SFO, the Securities and Futures Commission (**SFC**) hereby authorizes CSDCHK to provide ATS solely for the purposes of the Scheme, and subject to the conditions set out in paragraphs 5 to 10 below.



CONDITIONS

General

5. In providing ATS, CSDCHK 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* (**Guidelines for the Regulation of ATS**).

Operations

6. CSDCHK may only provide ATS for the purposes of the Scheme.

Reporting and disclosure requirements

7. CSDCHK must notify the SFC of any material change to: (i) information submitted in connection with its ATS application; or (ii) any of the matters set out in paragraph 55 of the Guidelines for the Regulation of ATS. This must be done prior to the change taking effect. Where prior notification is not possible, CSDCHK must notify the SFC of the change as soon as practicable upon becoming aware of the same.
8. CSDCHK must inform the SFC of the following as soon as practicable after becoming aware of the same –
 - (1) any failure or defect arising in connection with the systems and facilities used to provide ATS for the purposes of the Scheme, and any remedial steps taken; and
 - (2) any breach, or potential breach, of any of the conditions of CSDCHK's authorization to provide ATS.
9. CSDCHK must provide to the SFC monthly reports relating to: (i) its activities, business and operations (in so far as they relate to the Scheme, and whether conducted in Hong Kong or not); and to (ii) any transactions conducted under the Scheme. Such reports should be provided within two weeks after the end of the relevant month, and include such information as the SFC may from time to time specify.



10. In addition to any monthly reports, CSDCHK must provide to the SFC, within the time and in the manner specified, such information and documents relating to: (i) its activities, business and operations (in so far as they relate to the Scheme, and whether conducted in Hong Kong or not); and to (ii) any transactions conducted under the Scheme, as the SFC may at any time and from time to time reasonably request.

SECURITIES AND FUTURES COMMISSION
DATED: 6 February 2020