

# Introduction of Shanghai-London Stock Connect



# Intro. of Shanghai-London Stock Connect (SLSC)



- The term “depository receipts under Shanghai-London Stock Connect” (SLSC) refers to the depository receipts issued and listed on SSE by qualified LSE-listed companies (“CDRs”) as well as the depository receipts issued and listed on the LSE by qualified SSE-listed companies (“GDRs”) under the stock connect scheme between SSE and LSE.

# Intro. of Shanghai-London Stock Connect (SLSC)

- Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect (China Connect) allows Hong Kong, overseas and Mainland Chinese investors to trade securities on each other's market. Local investors are allowed to trade eligible shares listed in the opposite stock exchange directly, **whereas SLSC transforms the eligible shares into Depository Receipts (DR) and do trading in the local market.**



## Rules of Local Trading

- ❑ CDR is not for fund raising but for trading
- ❑ Investors can trade CDRs by A-share account
- ❑ A hybrid trading mechanism combining auction trading and market making trading
- ❑ CDRs can be exchanged with offshore eligible shares
- ❑ Not support margin trading and securities lending, collateralized repo and share repurchase etc. at the initial stage
- ❑ Most of the trading mechanisms are consistent with A shares
- ❑ Investors are required to fulfil investor suitability rules
- ❑ RMB Transaction
- ❑ With price limit

# Rules of Local Trading

**Most of the trading mechanisms are consistent with A shares**

- ❑ Trading principle of aggregate auction
- ❑ Trading calendar and trading hours
- ❑ CDR reporting instructions and reporting format
- ❑ T+1 trading system
- ❑ Rules of block trade and designated trading
- ❑ Settlement cycle

# Rules of Local Trading

## Investors are required to fulfil investor suitability rules

### A. Institutional Investors

- ❑ An institutional investor who wishes to trade CDRs shall do so in accordance with domestic laws and market rules of SSE

# Rules of Local Trading

## Investors are required to fulfil investor suitability rules

### B. Individual Investors

- ❑ The daily average value of assets in her/his securities account and funds account over the 20 trading days before applying for trading CDRs is no less than RMB 3 million (excluding the funds and securities acquired from margin trading and short selling transactions)
- ❑ There is no serious adverse entry in her/his integrity record
- ❑ She/he is not under any circumstance where she/he would be prohibited or restricted from trading securities by the provisions of domestic laws, market rules of SSE, or otherwise
- ❑ Credit account cannot be used for SLSC CDR trading
- ❑ Knowledgeable on investment activities

# Rules of Local Trading

## RMB Transaction

- ❑ The pricing unit is “price per CDR unit”
- ❑ The tick size is RMB 0.01 Yuan
- ❑ Lot size: 100 units of CDRs
- ❑ SSE may adjust the pricing unit, tick size, maximum order size, and other parameters as appropriate for the market, and will announce the adjustments to the market
- ❑ Unless otherwise prescribed by SSE, an investor shall not sell any CDR on the same day they are bought



# Rules of Local Trading

## With Price Limit

- ❑ SSE enforces price limit for CDR trading. The price limit is  $\pm 10\%$
- ❑ The limit price shall be calculated as :

$$\text{Limit Price} = \text{Previous closing price} \times (1 \pm \text{price limit})$$

- ❑ Rounded to the nearest tick size multiple

Exceptional case :

- ❑ The price limit for the first trading day after 7 or more calendar days of whole day market closure at SSE shall be  $\pm 20\%$

## Rules of Local Trading

- The previous closing price of the CDRs shown in the real-time market data for the first day of listing shall be the RMB-denominated price converted from the nearest closing price of the underlying securities on the LSE market (based on the conversion ratio between the CDRs and the underlying securities and the middle price of RMB exchange rate announced by the People's Bank of China on the day prior to the first day of listing).

*For example,*

*Security ABC previous closing price on LSE: GBP10*

*Exchange rate: 1GBP=9RMB*

*Conversion ratio: 1 share = 10 units CDR*

*The previous closing price =  $10 * 9 / 10 = \text{RMB9}$*

Note: GBP = 1 Pound GBX = 0.01 Pound (1 Pound = 100 Pence)

## Rules of Local Trading

- ❑ If the size of a single order for a CDR is not less than 300 thousand units or the transaction value of such order is not less than RMB 2 million, the order may be executed as a block trade

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