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## Shenzhen-Hong Kong Stock Connect Finally Launches on 5 December 2016

*By Choo Lye Tan and Michael P. Wong*

On 25 November 2016, the Securities and Futures Commission of Hong Kong ("**SFC**") and the China Securities Regulatory Commission ("**CSRC**") announced that the Shenzhen-Hong Kong Stock Connect ("**SZ-HK Stock Connect**") would formally commence trading on 5 December 2016. This follows their grant of the approval in principle of the SZ-HK Stock Connect on 16 August 2016.

Similar to the Shanghai-Hong Kong Stock Connect ("**SH-HK Stock Connect**"), the SZ-HK Stock Connect allows eligible investors to trade shares listed in the Shenzhen Stock Exchange and The Stock Exchange of Hong Kong.

In a joint statement issued by the SFC and the CSRC, the regulators indicated that the trading, clearing, regulatory, operational, and other relevant rules and arrangements to operate the SH-HK Stock Connect were in place.

Additionally, the SFC and the CSRC also entered into a memorandum of understanding to strengthen and expand cross-boundary regulatory and enforcement cooperation which applies to both the SZ-HK Stock Connect and the SH-HK Stock Connect and supersedes the previous memorandum of understanding that applied only to the SH-HK Stock Connect.

Also, arrangements and procedures for cross-boundary liaising and cooperation such as measures to facilitate real-time surveillance by the SFC and the CSRC of activity in their respective markets under the programme, as well as resources for investor education relating to the SZ-HK Stock Connect have been established.

Market participants and investors should familiarise themselves with the applicable regulatory requirements of the SZ-HK Stock Connect and be aware of the differences between the trading environment in Shenzhen and in Hong Kong. Funds and funds managers that are contemplating to invest in the PRC through SZ-HK Stock Connect should ensure appropriate disclosures are included in their documents.

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