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The Shenzhen-Hong Kong Stock Connect has launched and the Central Bank of Ireland is ready to accept applications

You will be aware from previous Dillon Eustace publications that the Central Bank of Ireland (the "**Central Bank**") spent considerable time and effort working with the industry here to evaluate the Shanghai-Hong Kong Stock Connect programme ("**Shanghai Stock Connect**") when it launched in November, 2014 before approving it on the 15th July, 2015.

At that time the Central Bank carried out a detailed review of the Shanghai Stock Connect focusing in particular on the ability of depositaries to provide for the safe-keeping of assets acquired pursuant to Shanghai Stock Connect in a way that complies with the UCITS and AIFM Regulations, paying particular attention to provisions relating to the safe-keeping of assets, beneficial ownership segregation, reconciliation arrangements and monitoring of sub custodians.

Work was already underway prior to the launch of the Shanghai Stock Connect to create the Shenzhen-Hong Kong Stock Connect **(the" Shenzhen Stock Connect").** Shenzhen Stock Connect is a joint initiative between the Stock Exchange of Hong Kong ("SEHK") and the Shenzhen Stock Exchange ("SZSE") as well as their respective clearing entities, the Hong Kong Securities Clearing Company Limited ("HKSCC") and the China Securities Depository and Clearing Corporation Limited ("China Clear"). Similar to the Shanghai Stock Connect, international investors and investment funds, including Irish UCITS and AIFs, will be able to invest from the Hong Kong side via the "Northbound link" in securities issued on

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SZSE. The Shenzhen Stock Connect launched on 5 December 2016.

Implications for Irish Funds

The Central Bank of Ireland has advised that having leveraged off the research done previously it is immediately in a position to accept applications from Irish domiciled UCITS and AIFs to invest through the Shenzhen Stock Connect programme.

The Central Bank will accept applications on the same basis as provided for under the Shanghai Stock Connect as there are no material differences with either the market infrastructure or custody flows.

The applicable conditions are set out in the Central Bank's UCITS Q&A at ID 1015 and AIFMD Q&A at ID 1094. While these Q&A's currently refer only to the "Shanghai Stock Connect", the Central Bank has undertaken to update the Q&A's in early 2017 to reflect the recent addition of the Shenzhen Stock Connect.

In the meantime the Central Bank is in a position to immediately accept applications from Irish domiciled UCITS and AIFs in respect of the Shenzhen Stock Connect.

Implications for the Chinese market.

Many Chinese market observers anticipate that the recent introduction of the Shenzhen Stock Connect will build on other reforms including increased foreign investment quotas and greater restrictions on share suspensions, to assist the ongoing efforts for the inclusion of China by the world's largest index providers such as MSCI in their global indices. It is generally accepted that greater liquidity may be required to ensure China's inclusion by index providers.

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Our previous briefings on the Shanghai Stock Connect can be found at the following links:

Shanghai-Hong Kong Stock Connect-Update

Shanghai-Hong Kong Cross Border Share Trading Plan

Shanghai-Hong Kong Stock Connect-The Train Steams Ahead

Shanghai-Hong Kong Stock Connect-Launch Date Announced

Shanghai-Hong Kong Stock Connect-Launched

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