

Enhancement to currency conversion arrangement under Stock Connect

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) issued guidance today (June 21) regarding the currency conversion arrangement under the Northbound trading of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (Stock Connect).

The Chief Executive of the HKMA, Mr Norman Chan, said, "with the support of the People's Bank of China, investors under the Northbound trading of Stock Connect may, for the first time, obtain Renminbi (RMB) and conduct the related foreign exchange hedging based on the onshore exchange rate through the relevant Hong Kong banks. As major international financial market indices continue to include A-shares or increase weights assigned to them, the enhanced currency conversion arrangement will offer more diversified choices to investors, and increase the convenience and attractiveness of Stock Connect, thereby reinforcing Hong Kong's role as the intermediary for capital flowing into and out of the Mainland."

Currently, investors investing in the Mainland stock markets through the Northbound trading of Stock Connect have to settle their transactions in offshore RMB. The enhanced arrangement aims to provide investors an additional choice to obtain RMB and conduct the related foreign exchange hedging based on the onshore exchange rate for their underlying Northbound Stock Connect transactions. Investors may access the service from designated Hong Kong banks through relevant securities companies and brokers. The said banks may square the relevant positions in the onshore foreign exchange market.