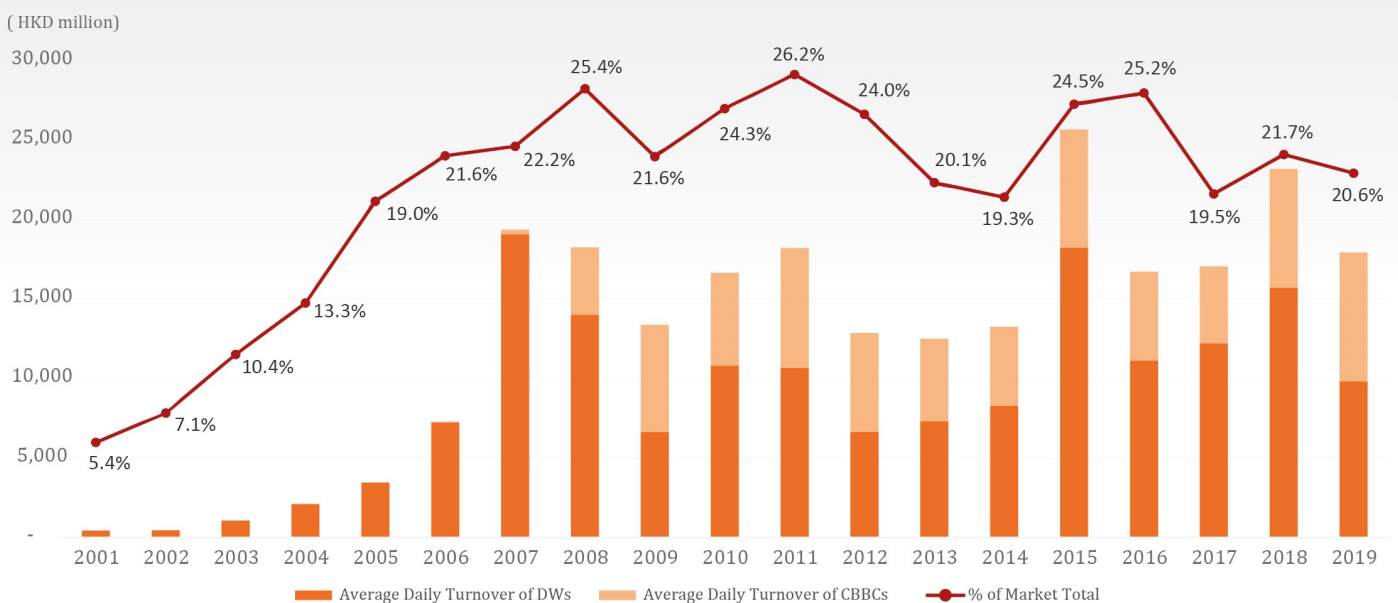


# One Step Forward: Expanding Access to the A-Share Market



Mainland China's A-Share market represents the second-largest public equity market in the world and the largest pool of publicly traded stocks by market capitalisation in Asia. Yet the only derivative trading instruments with A-Share underlying available to Mainland investors are stock index futures and options, as well as ETF options, as compared to most developed equity markets worldwide which enable investors to invest in a wide range of listed derivatives and structured products. Hong Kong, with its well-developed and listed structured products market, has a role to play therein.

## Average daily turnover of Derivative Warrants and Callable Bull/ Bear Contracts totalled HKD 17.9 billion in 2019



### Recommendations

Phase 1 Gradual introduction of Hong Kong listed structured products over Stock Connect A-Share or A-Share based indices, for example:

- (i) start with one type of Hong Kong listed structured product (e.g. warrants only) that is simple and easily understood by investors; and
- (ii) start with a shortlist of the most liquid Stock Connect A-Share as the underlying assets; and

Phase 2 Gradual expansion of Southbound Stock Connect, to include Hong Kong listed structured products linked to a selected list of eligible underlying assets, then widen the scope of eligible Mainland investors in phases starting with professional investors before allowing retail investors to participate.

### Key Benefits

- Supporting the strategic direction of the Hong Kong Government and regulators to enhance the competitiveness and product diversity of Hong Kong as an international financial hub, and cementing its status as a leading offshore RMB centre.
- Facilitating further opening up of financial markets for the Mainland and enabling Mainland regulators to gradually expand the listed A-Share equity derivatives market in a safe, stable and risk-controlled environment.
- Fully capitalising on Hong Kong's highly regulated, diverse and liquid structured products market and the Stock Connect schemes.
- Increasing Stock Connect trading and usage.