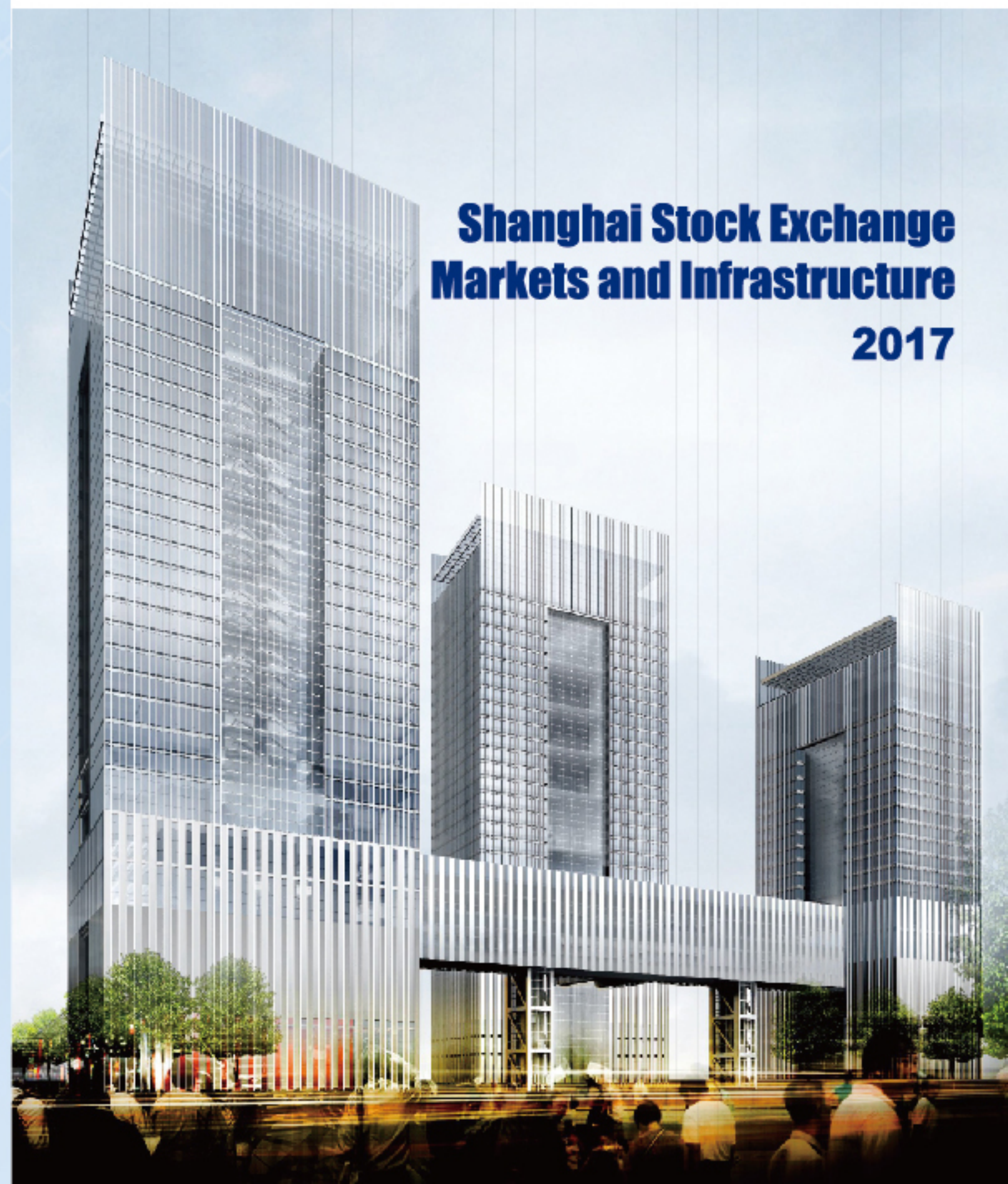




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Shanghai Stock Exchange Markets and Infrastructure 2017

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Chapter I

Overview

01

History, Development and International Ranking

Shanghai is Mainland China's first city to see the emergence of stocks, stock trading and stock exchanges. Stock trading started in Shanghai as early as the 1860s. In 1891, the Shanghai Share Brokers Association, an early form of stock exchange, was established in Shanghai. Later in the 1920s, with the founding of the Shanghai Securities Goods Exchange and the Shanghai Chinese Securities Exchange, Shanghai emerged as the financial center of the Far East, where both Chinese and foreign investors could trade stocks, bonds, government bonds and futures. In 1946, the Shanghai Chinese Security Exchange was renamed the Shanghai Securities Exchange Co., Ltd. Later in 1949, all securities trading venues were closed down.

Since 1980, China's securities market has grown in tandem with the reform and opening up of the country and the development of the socialist market economy. In 1981, the offering of treasury bonds was resumed. In 1984, stocks and enterprise bonds were issued in Shanghai and other regions. On November 26, 1990, the Shanghai Stock Exchange (the Exchange) was established, and on December 19 of the same year, it started formal operations.



Left: The Shanghai Stock Exchange's original site - Astor House Hotel in the old financial street on the Bund



Right: Mr. Zhu Rongji attending the opening ceremony of the Shanghai Stock Exchange. The event attracted more than 500 distinguished guests from home and abroad.

Under the strong leadership of the CPC Central Committee and the State Council and the direct guidance of the CSRC, along with fervent support from all sectors of society, the Exchange makes it its mission to serve the nation's reform and development initiatives. In line with the principles of rule by law, regulation, self-discipline and compliance, the Exchange has been committed to creating a transparent, open, reliable and efficient marketplace and fulfilling its frontline role in market organization, oversight and development over the past 20 plus years.

The Exchange's scope of business and functions include:

- (1) providing venues, facilities and services for centralized securities trading;
- (2) formulating and revising business rules of the Exchange;
- (3) reviewing and arranging for listing, trading or transfer of securities and making decisions on the termination of listing, trading or transfer of securities;
- (4) organizing and overseeing securities trading;
- (5) organizing and implementing innovation in trading instruments and trading mechanisms;
- (6) classifying and managing members based on their risk management levels and carrying out day-to-day supervision of the members;
- (7) exercising supervision over information disclosure of listed companies;
- (8) establishing or participating in the establishment of securities registration and clearing companies;
- (9) managing and releasing market information;
- (10) providing investor education; and
- (11) other functions stipulated by laws, regulations and rules and permitted or authorized by the CSRC.

After 26 years of rapid development, the Exchange has grown into a comprehensive, open and service-oriented exchange. With a complete market structure, the Exchange provides products of stocks, bonds, funds and derivatives; has world-class trading systems and communications infrastructure which can support the efficient and stable operation of the Shanghai securities market; and has an effective self-regulatory system which can ensure the regulated and orderly operation of the Shanghai securities market. With these advantages, the Shanghai securities market has grown rapidly both in its size and the number of investors, making the Exchange one of the most representative emerging capital markets. According to statistics of the World Federation of Exchanges (WFE), the Exchange ranked 4th, 4th and 3rd respectively in terms of total market capitalization, total turnover, and capital raised in 2016, becoming one of the top exchanges in the world.

Market Cap			Turnover			Fund Raised		
Exchange	Ranking	US\$ bn	Exchange	Ranking	US\$ bn	Exchange	Ranking	US\$ bn
NYSE	1	19.6	Nasdaq	1	31.8	SZSE	1	161.0
Nasdaq	2	7.8	NYSE	2	19.7	Euronext	2	143.4
TSE	3	5.1	SZSE	3	11.7	SSI	3	121.2
SSI	4	4.1	SSI	4	7.1	NYSE	4	113.4
LSE	5	3.5	TSE	5	6.4	HKE	5	62.7

Source: WFE, as of the end of 2016



Mr. Wu Qing, giving the opening speech on the 57th WFE General Assembly & Annual Meeting in Bangkok

On Sep 7, 2017, Mr. Wu Qing, Chairman of the Shanghai Stock Exchange was elected Chairman of the World Federation of Exchanges on the 57th WFE General Assembly & Annual Meeting. This is the first time that a Chinese mainland exchange holds a leading position in international industry associations.

Market Overview

The Exchange's markets for stocks, bonds, funds and derivatives maintained stable operation in 2016. For the stock market, there were 1,182 companies listed on the Exchange with an increase of 101 companies over the end of 2015; the total market capitalization stood at RMB 29 trillion, down by 3.6% from the end of 2015; a total of 103 new companies were listed on the Exchange with an increase of 13 companies over 2015; the total capital raised throughout the year amounted to RMB 805.6 billion with a decrease of 7.5% over 2015; the total turnover stood at RMB 50 trillion, with a daily average turnover of RMB 204 billion, down by 62.4% from 2015.

For the bond market, there were 8,077 bonds listed on the Exchange, up by 3,588 bonds or 79.9% from the end of 2015; the volume of outstanding bonds stood at RMB 6.2 trillion, up by 80.5% from the end of 2015; the total turnover reached RMB 225 trillion, with a daily average turnover of RMB 921 billion, an increase of 82.9% from 2015; and the total capital raised from corporate bonds amounted to RMB 2.6 trillion, up by 46.7% from 2015.

For the fund market, there were 161 funds listed on the Exchange, up by 26 funds or 19.3% from the end of 2015; the total market value of these funds stood at RMB 360.8 billion, a decrease of 20.6% from the end of 2015; the total turnover throughout the year amounted to RMB 9 trillion, with a daily average turnover of RMB 36.6 billion, down by 13.9% from 2015.

For the derivatives market, there were a total of 330 SSE 50 ETF options contracts listed on the Exchange; the total trading volume amounted to 79.07 million contracts, with an average daily trading volume of 320,000 contracts, up by 204.9% from 2015; the year-end open interest was 1.32 million contracts, with a daily average open interest of 949,000 contracts, an increase of 207.5% from 2015; the total face value of the contracts traded stood at RMB 1.8 trillion, with a daily average of RMB 7.2 billion, up by 168.0% from 2015; the total premium trading volume reached RMB 43.2 billion, with a daily average of RMB 180 million, up by 82.5% from 2015.

With regard to the Shanghai-Hong Kong Stock Connect scheme, 574 stocks were covered by the North bound Trading Link; the total turnover amounted to RMB 745.2 billion; the market value of stocks held by Northbound Trading Link investors stood at RMB 171.1 billion, and the annual quota was RMB 100 billion, with a daily average usage rate of 3.3%; and 316 stocks were included in the Southbound Trading Link; the total turnover reached RMB 711.2 billion; the market value of stocks held by Southbound Trading Link investors stood at RMB 329.1 billion, and the annual quota was RMB 275.2 billion, with a daily average usage rate of 11.5%.

Vision, Mission and Strategy

At present, China is at a decisive stage of completing the building of a moderately prosperous society and at a critical period for rejuvenating the Chinese nation. As China's economic growth enters the New Normal and the supply-side structural reform deepens, China's capital markets face both new challenges and new opportunities. As a major component of China's securities and future market system, the Exchange will, under the guidance of a series of important speeches by President Xi and the leadership of the CSRC Party Committee, focus on serving the nation's reform and development initiatives, adhere to the philosophy of lawful, strict and comprehensive supervision and promote the market-oriented and law-based development as well as internationalization in order to strengthen its frontline regulation in market oversight and risk prevention, its role as a platform serving the supply-side structural reform, and its role as a pioneer in the reform and opening up of the capital markets. The Exchange should follow the mainstream of development, stand at the forefront of supervision and ward off risks. Also, the Exchange will provide greater protection for investors, enhance the fundamental framework for market operation and steadily proceed with market innovation.

Founded in 1990, the Exchange is still young, but it is a developing and open exchange. At this new starting point, we will keep our mission in mind, work with all sectors to develop the Exchange into a world-class exchange, which can effectively serve the nation's reform and development initiatives, efficiently allocate domestic and international resources and multiply the global influence of China's capital markets.



Chapter II

Public Offering and Listing Arrangements

02

Arrangements for IPO and Listing of Stocks

I. Requirements for IPO

(I) Eligibility Criteria for Issuers

1. The issuer shall be a company limited by shares established and existing under the laws of China.

When a limited liability company is lawfully converted into a company limited by shares upon the approval of the State Council, it may issue stocks to the public by means of a public offer.

2. The issuer shall be in continuous operation for more than three years since its incorporation as a company limited by shares, unless otherwise approved by the State Council.

Where a limited liability company in its entirety is converted into a company limited by shares based on the original book value of its net assets, the continuous operation period may be calculated from the date on which the limited liability company is incorporated.

3. The issuer shall have paid up the registered capital in full and completed the procedures for the transfer of the title to assets contributed as capital by its founders or shareholders and there shall be no material dispute over ownership of the issuer's major assets.

4. The business operations of the issuer shall comply with laws, administrative regulations, its articles of association and the State's industrial policies.

5. In the most recent three years, there shall have been no significant change in the issuer's principal business lines, directors and senior officers, nor any change of its de facto controller.

6. The equity structure of the issuer shall be clearly defined and there shall be no major dispute over the ownership of shares held by its controlling shareholder, by the shareholders under the control of its controlling shareholder or de facto controller.

(II) Proper Operation

1. The issuer shall have established, in accordance with the law, sound arrangements for shareholders' meeting, board of directors, board of supervisors, independent directors and secretary to the board of directors so that relevant departments and personnel can perform their duties pursuant to the law.

2. The issuer's directors, supervisors and senior officers shall have understood laws and regulations related to the IPO and listing of stocks and shall be aware of the statutory responsibilities and obligations of a listed company and its directors, supervisors and senior officers.

3. The issuer's directors, supervisors and senior officers shall meet the qualifications provided by laws, regulations and rules, and shall not: (1) be subject to an existing securities market bar imposed by the CSRC; (2) be subject to any administrative penalty imposed by the CSRC within the last 36 months or any public censure by a stock exchange within the last 12 months; (3) be under investigation by the judiciary authority for a suspected criminal offence or under investigation by the CSRC for a suspected violation of laws and regulations, where no definitive and conclusive opinion has been issued.

4. The issuer's internal control system shall be soundly established and effectively implemented,



The only listed stocks, known as the "eight old stocks", when the Shanghai Stock Exchange officially started operations on Dec 19, 1990

which can reasonably guarantee the reliability of its financial reports, the legitimacy of its business activities, and the efficiency and effectiveness of its operations.

5. The issuer shall not:

- (1) have made public offering or disguised public offering of securities without the approval of the statutory authority within the last 36 months; or have any relevant violations of laws which occurred 36 months ago, but lasts up to now;
- (2) be subject to administrative penalties within the last 36 months for any serious violations of laws and regulations on commerce and industry, taxation, land, environmental protection, customs and other issues;
- (3) have, within the most recent 36 months, submitted to the CSRC its IPO application which contains any false representations, misleading statements, or material omissions; or have

obtained an approval for IPO by deceptive means when it fails to meet the requirements for IPO; or have improperly interfered with the review work of the CSRC and its Public Offering Review Committee; or have forged or altered the signature or seal of the issuer or any of its directors, supervisors or senior officers;

(4) have any false representations, misleading statements, or material omissions in its current IPO application documents;

(5) be under investigation by the judiciary authority for a suspected criminal offence, where no definite and conclusive opinion has been issued; or

(6) fall under any other circumstances where investors' legitimate rights and interests and the public interest are seriously damaged.

6. The issuer's articles of association shall specify the approval authority and deliberation procedures for external guarantees and no improper guarantee shall be provided to its controlling shareholder, de factor controller or any other enterprise under their control.

7. The issuer shall have a strict system for funds management and shall not have its funds used for loans, debt repayments, advance payments and other purpose by its controlling shareholder, de facto controller or any other enterprise under their control.

(III) Finance and Accounting

1. The issuer shall have quality assets, a reasonable asset-liability structure, strong profitability and normal cash flows.

2. The issuer's internal control system shall be effectively implemented in all material respects

and the issuer shall have obtained an unqualified internal control assurance report from a certified public accountant (CPA).

3. The issuer's basic accounting work shall be carried out properly and the preparation of its financial statements shall comply with the Accounting Standards for Business Enterprises and relevant accounting rules and shall give, in all material respects, a fair presentation of its financial position, results of operations and cash flows, and the issuer shall have obtained an unqualified audit report issued by a CPA.

4. The issuer shall prepare its financial statements based on transactions or events which have actually occurred; shall exercise due prudence in its accounting recognition, measurement and reporting activities; and for same or similar business transactions, accounting policies shall be consistent and not be changed arbitrarily.



The Shanghai Stock Exchange's trading hall, which is now mainly used for holding IPO ceremonies and other events



Source: SSE, as of the end of 2016

5. The issuer shall fully disclose related-party relationships and make an appropriate disclosure of related-party transactions based on the principle of materiality. The issuer shall enter into related-party transactions at a fair price and shall not manipulate profits through related-party transactions.

6. The issuer shall meet the following criteria:

(1) Its net profits are positive for the last three consecutive financial years, with the aggregate amount exceeding RMB 30 million, and net profits shall be calculated based on the amount before or after the deduction of non-recurring losses and profits, whichever is smaller.

(2) Its accumulated net cash flows from operating activities for the last three consecutive financial years exceed RMB 50 million; or the accumulated revenue for the last three consecutive years exceeds RMB 300 million.

(3) Its total pre-IPO share capital is no less than RMB 30 million.

(4) Its intangible assets (excluding land use rights, water use rights for aquaculture and mining rights, etc.) do not exceed 20% of its net assets by the

end of the latest accounting period.

(5) No loss has been left uncovered by the end of the latest accounting period.

7. The issuer shall pay tax in accordance with the law and any tax break taken by the issuer shall be in accordance with relevant laws and regulations. The issuer's operating results shall not be heavily reliant on tax preferences.

8. The issuer shall be free of any major debt servicing risk and shall not be involved in any guarantee, lawsuit, arbitration or other significant contingencies which may have an impact on its continuing operation.

9. In its application documents, the issuer shall not:

(1) omit or fabricate transactions, events or other important information deliberately;

(2) misuse accounting policies or accounting estimates; or

(3) manipulate, forge or tamper with accounting records or relevant vouchers based on which financial statements are prepared.

10. The issuer shall not fall under any of the following circumstances which adversely affect its sustained profitability:

- (1) There has been or will be a significant change in the issuer's business model or the range and structure of its products or services, which may have a material adverse impact on the sustained profitability of the issuer.
- (2) There has been or will be a significant change in the issuer's position or the business environment of its industry, which may have a material adverse impact on the sustained profitability of the issuer.
- (3) The issuer's revenue or net profits for the latest financial year is heavily reliant on its related parties or any customer about whom there is a material uncertainty.
- (4) A significant part of the issuer's net profits for the latest financial year is generated from investment income which is not included in its consolidated financial statements.
- (5) There is any risk of a material adverse change in the acquisition or use of major assets or technologies under use, such as trademarks, patents, proprietary techniques and franchises.

(6) Any other circumstances which are likely to have a material adverse impact on the sustained profitability of the issuer.

II. Requirements for Listing of IPO Stocks

An issuer's application for listing of its stocks on a stock exchange after an IPO shall meet the following requirements:

- (1) the stocks have been issued to the public with the approval of the CSRC;
- (2) the issuer's total share capital is no less than RMB 50 million;
- (3) the publicly-held stocks account for more than 25% of the issuer's total stocks; for an issuer whose total share capital exceeds RMB 400 million, such percentage is 10%;
- (4) in the most recent three years, the issuer has not committed any major illegal acts and there have been no false records in its financial reports; and
- (5) other requirements as may be imposed by the Exchange.

Arrangements for Offering and Listing of Bonds

Any issuer that has publicly offered corporate bonds shall meet the following requirements of the *Securities Law of the People's Republic of China* ("Securities Law") to list its corporate bonds on a stock exchange:

- (1) The corporate bonds have a term of more than one year.
- (2) The actual issuance volume of the corporate bonds is no less than RMB 50 million.
- (3) When applying for listing the bonds, the issuer shall still meet the statutory requirements for public offering of corporate bonds.

The Exchange's requirements for listing corporate bonds are mainly set forth in the *Rules Governing the Listing of Corporate Bonds on the Shanghai Stock Exchange* ("Listing Rules"). Section 2.1.1 of the *Listing Rules* provides that an issuer that applies to the Exchange for listing of its bonds shall:

- (1) meet the requirements for listing of bonds specified in the *Securities Law*;

(2) have completed the public offering of its bonds in accordance with the law upon the approval of the competent authorities;

(3) meet the statutory requirements for public offering of bonds when applying for listing of its bonds;

(4) ensure that its bond holders observe the investor suitability rules of the Exchange; and

(5) satisfy other requirements as may be imposed by the Exchange.

The Exchange may adjust requirements for listing of bonds according to market conditions.

Pursuant to the *Listing Rules* and relevant notifications, corporate bonds publicly offered to public investors and qualified investors may be traded in the form of auction trades, quotation trades, price inquiry-based trades and trades by agreement. Corporate bonds which are publicly offered to qualified investors only and fail to meet the following criteria may be traded in the form of quotation trades, price inquiry-based trades and



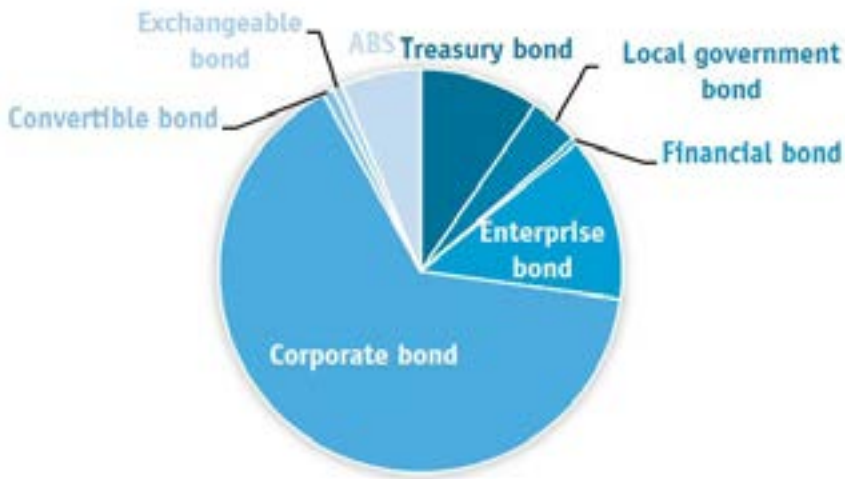
trades by agreement:

- (1) The bonds have a credit rating of AA or above.
- (2) Prior to listing of bonds, the issuer’s net assets are no less than RMB 500 million as at the end of the latest accounting period, or its debt-asset ratio is no higher than 75% as at the end of the latest accounting period.
- (3) Prior to listing of bonds, the annual

distributable profits of the issuer in the latest three financial years are no less than 1.5 times the annual interest accrued on the bonds.

(4) Other requirements as may be imposed by the Exchange.

An issuer that applies to the Exchange for the listing and transfer of its non-publicly offered



SSE Fixed Income Products	Number of Listed Bonds	Outstanding Amount (RMB bn)
Treasury bond	187	639.0
Local government bond	1649	267.6
Financial bond	4	30.0
Enterprise bond	2200	874.2
Corporate bond	3111	4310.8
Convertible bond	10	57.3
Exchangeable bond	36	50.6
ABS	1658	426.5
Total	8855	6656.1

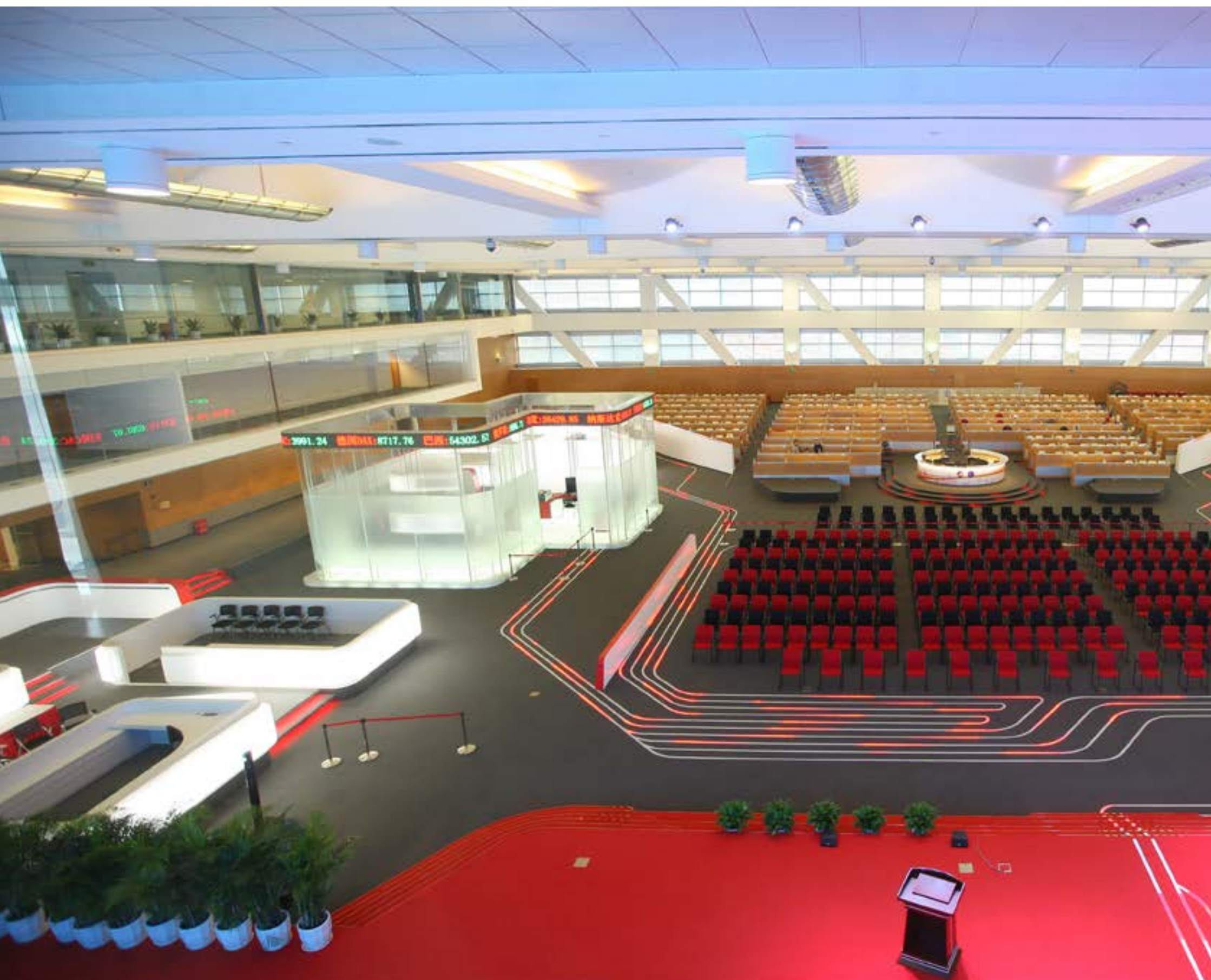
Source: SSE, as of June 2017

bonds in accordance with the *Interim Measures of the Shanghai Stock Exchange for the Administration of Non-Public Offering of Corporate Bonds* shall:

- (1) comply with relevant provisions of the *Measures for the Administration of Offering and Trading of Corporate Bonds* and other laws and regulations;
 - (2) have completed the non-public offering of the bonds in accordance with the law;
 - (3) still meet the requirements for offering of bonds when applying for the listing and transfer of the bond;
 - (4) ensure that its bond holders observe the investor suitability rules of the Exchange and there are no more than 200 bond holders in total; and
 - (5) meet other requirements as imposed by the Exchange.
- An asset-backed security issuer that applies to the Exchange for listing of asset-backed securities in accordance with the *Guidelines of the Shanghai Stock Exchange for Asset Securitization* shall meet the following requirements:

- (1) The underlying asset complies with relevant laws and regulations, has a clearly-defined ownership structure, and can generate independent and predictable cash flows.
- (2) The transaction of the asset-backed security is well structured.
- (3) The issuer has issued the asset-backed security and has completed the filing procedures in accordance with relevant rules.
- (4) Investors of the asset-backed security observe the applicable investor suitability rules of the Exchange.
- (5)Risk control measures adopted for the asset-backed security are in compliance with the requirements of the *Guidelines*.
- (6) Other requirements as may be imposed by the Exchange.





Chapter III Trading Arrangements

03

Arrangements for Stock Trading

Centralized stock trading refers to the buying and selling of issued stocks at market prices among investors on a stock exchange. The existing instruments available for centralized trading include A-shares and B-shares, both of which are traded in the form of auction trading (including call auction and continuous auction) and block trading. Specific stock trading arrangements are described as follows.

1. Designation

The Exchange implements a designated trading system for all securities traded on the Exchange market. An investor who intends to

trade securities on the Exchange market must designate one member in advance as his or its trading and clearing agent and enter into a Designated Trading Agreement with the member. The investor is not permitted to trade securities without having his or its securities account carried by the member's Participant Business Unit (PBU).

2. Trading Hours

The Exchange is open for trading from Monday through Friday. During the morning session, buying and selling are done by call auction from 9:15 am to 9:25 am, and by continuous auction



Stock trading in 1986, prior to the establishment of the Shanghai Stock Exchange

from 9:30 am to 11:30 am. During the afternoon session, buying and selling are conducted through continuous auction from 1:00 pm to 3:00 pm.

In regards of block trades, the Exchange accepts intent orders from 9:30 am to 11:30 am and from 1:00 pm to 3:30 pm, execution orders from 9:30 am to 11:30 am, from 1:00 pm to 3:30 pm and from 4:00 pm to 5:00, and fixed-price orders from 3:00 pm to 3:30 pm. The Exchange also organizes *ad hoc* block trade sessions which are held only upon request from 3:00 pm to 5:00 pm; eligible investors may physically participate in *ad hoc* block trades on the trading floor of the Exchange by auction, price inquiry and quotation. Block trades are subject to unsecured settlement.

The market is closed on Saturday and Sunday as well as other days as announced by the Exchange.

Auction Trading			
Morning Session			Afternoon Session
9:15 – 9:25	9:30 – 11:30		13:00 – 15:00
Call auction	Continuous auction		Continuous auction
Block Trading			
9:30 – 11:30	13:00 – 15:00	15:00 – 15:30	16:00 – 17:00
Intent orders accepted			
Execution orders accepted			
		Fixed-price orders accepted	

3. Order Submission

After entering into a self-service trading agreement with a member of the Exchange, a client may buy or sell securities through the member by placing limit orders or market orders in written form or through self-service channels such as telephone, self-service trading terminals or the Internet. Each order placed by the client includes, among others, the securities account number of the client, the code of the security, buy or sell, the instructed quantity and the instructed price. When buying stocks through auction trading, each order shall be in multiples of 100 shares. When selling stocks, any remaining quantity less than 100 shares shall be sold in a single order. The maximum size of an order for stocks is one million shares.

During block trading, the intended trading volume of an order for A-share shall be no less than 300,000 shares or its transaction value shall be no less than RMB 2 million; and the intended trading volume of an order for B-shares shall be no less than 300,000 shares or its transaction value shall be no less than USD 200,000.

The tick size of an order for A-shares is RMB 0.01 and for B-shares is USD 0.001. During auction trading, A-shares and B-shares are subject to a price limit of 10% on each trading day except for their first day of trading. Stocks under risk warnings are subject to a price limit of 5% on each trading day.

4. Order Execution

During the trading of stocks on the Exchange market, orders are matched and executed based on the principles of price-time priority.

In call auction, all trades shall be executed at the same execution price, which is determined according to the following principles:

- (1) a price that will produce the highest trading volume;
- (2) a price that allows all buy orders to be executed with a higher bid price and all sell orders with a lower ask price to be executed; and
- (3) a price that allows all buy orders at that price to be executed, or all sell orders at that price to be executed, or both. Where more than one price satisfies the conditions above, the one that minimizes the unmatched volume is taken as the execution price; where the minimum unmatched volume is achieved at two or more prices that satisfy the conditions above, their average is taken as the execution price.

During continuous auction, the execution price shall be determined according to the following principles:

- (1) where the highest bid price matches the lowest ask price, such price shall be taken as the execution price;
- (2) where the bid price is higher than the currently available lowest ask price, such lowest ask price shall be taken as the execution price;
- (3) where the ask price is lower than the currently available highest bid price, such highest bid price shall be taken as the execution price.

For block trades, the execution price shall be any price determined by the buying and selling parties upon mutual agreement within a specified price range.

5. Reporting of Executed Trades and Dissemination of Market Quotations

The Exchange market timely disseminates trading data and information to members and investors. On each trading day, real-time quotations on securities trading, stock price indices, clearing data, market information announcements and daily order execution reporting and other information are transmitted to each member's securities trading desk through satellite or optical fiber communications systems. The reporting of trades executed in respect of each member is transmitted to such member through two-way satellite or ground optical fiber communications systems. As from September 22, 2003, the Exchange has been providing to the market with real-time market quotations on the five best orders. Information on the execution of block trades is disclosed by the Exchange on the designated media; such information is simultaneously disclosed in the section "Quotations and Trades/Disclosure of Trading Information/Block Trade Information" on the Exchange's website (www.sse.com.cn). Pursuant to its trading rules, the Exchange publishes more detailed information on securities which rank top in terms of such metrics as the daily price limit.

6. Margin Trading and Short Selling

Margin trading or short selling, also known as securities trading on credit, is a trade where an investor provides collateral to a securities company qualified for margin trading and short selling services in order to borrow cash to buy a listed security (margin trading) or borrow a listed security to sell it (short selling). An eligible investor may, through designated trading or by a member of the Exchange accepting his or its instruction, engage in margin trading and short selling of stocks that are approved by the Exchange for such purpose.

Arrangements for Bond Trading

Spot trades in bonds may be carried out through the Exchange's auction trading system, block trading system or Electronic Platform for Fixed Income Securities ("Electronic Platform") which operates auction trading, block trading and quotation-driven trading respectively. The *Detailed Implementing Rules for Bonds Transactions of the Shanghai Stock Exchange* apply to spot trades and repos in treasury bonds, corporate bonds, enterprise bonds and convertible bonds with warrants executed through the auction trading system. The *Notice on the Publication and Implementation of the Interim Rules for Trading on the Integrated Electronic Platform of Fixed Income Securities of the Shanghai Stock Exchange* applies to trades executed through the Electronic Platform.

For spot trades in bonds, the opening session of each trading day operates by call auction and continuous auctions are used thereafter. The principles of "price-time priority and client order priority" apply to auction trading. All orders for bonds must be limit orders. Bonds are traded in lots (the par value of one lot is RMB 1,000). The quotation unit for bonds is RMB 100 par value. The tick size of an order for bonds is RMB 0.01. For each trading day, the opening call auction session is from 9:15 am to 9:25 am, and the continuous auction sessions are from 9:30 am to 11:30 am and from 1:00 pm to 3:00 pm. Block trading is conducted separately to avoid any overwhelming impact on small trades executed through the auction trading system. For a single order for bonds, the intended trading volume shall be no less than 1,000 lots (the par value of one lot is RMB 1,000) or the transaction value shall be no less than RMB 1 million. A single order for treasury bonds shall be no less than 10,000 lots and a single order for any other bonds shall be no less than 1,000 lots, with the tick size being RMB 0.01 and the quotation unit being RMB 100 par value.



The Shanghai Stock Exchange's trading hall before renovation

For block trades, the Exchange accepts two types of orders: intent orders and execution orders. On each trading day, the Exchange accepts intent orders from 9:30 am to 11:30 am and from 1:00 pm to 3:30 pm, and execution orders from 3:00 pm to 3:30 pm.

Quotation trades, including firm quotation trades, price inquiry-based trades, trades by agreement, trades with designated counterparties and emergency trades, may be executed through the Electronic Platform. On each trading day, the trading sessions for quotation trades are from 9:30 am to 11:30 am and from 1:00 pm to 3:00 pm, while the afternoon session for bilateral repos is from 1:00 pm to 3:15 pm. The Electronic Platform classifies participants into primary dealers, general dealers and indirect participants. Primary dealers and general dealers can directly engage in trades, and indirect participants can engage in trades only indirectly.

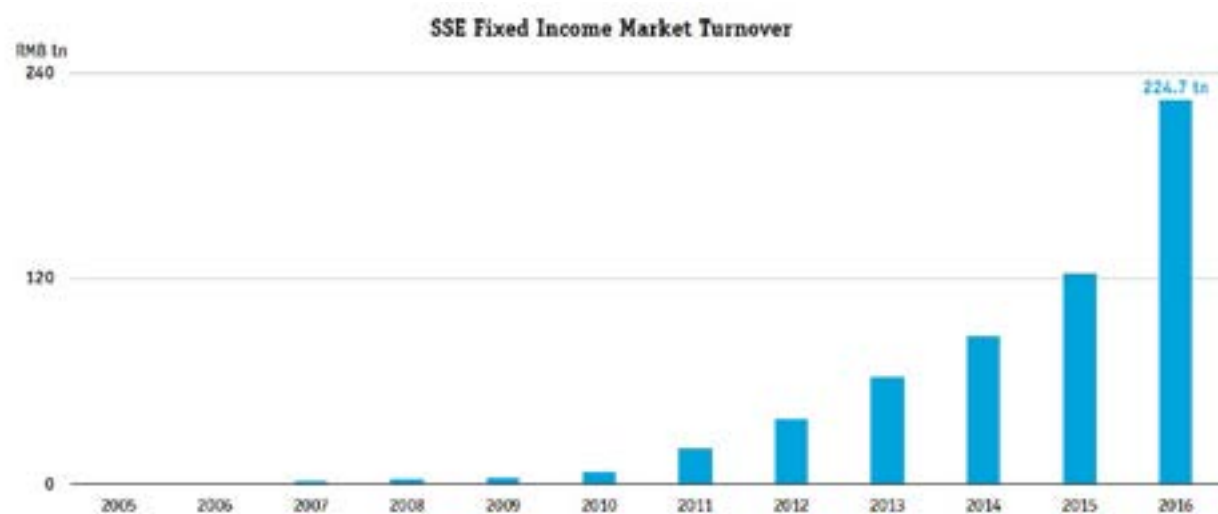
Except for convertible bonds, spot trades in bonds are executed on a net price basis and orders are submitted through securities accounts. During spot trading, bonds may be sold the same day when they are bought.

Repos include standardized repos and bilateral repos. In a standardized repo, as the underlying bonds are pledged as collaterals, the bondholder obtains a cash loan up to the value of the standardized bonds which is derived by applying the applicable conversion factor to the underlying bonds and the parties agree that upon expiry of the repo, the loan is repaid and the collateral released. Standardized repos have the following characteristics: the financing quota available to bondholders is determined by the value of the standardized bonds converted from the underlying bonds; netting is made through a central counterparty (CCP); orders are matched anonymously; and standardized repos have a standardized term. The “standardized bond” is used to measure the amount of loan which can be granted in a standardized repo, by applying the applicable conversion factor to the different bond products. Under the netting arrangement, China Securities Depository & Clearing (“SD&C”), acting as the CCP, carries out the secured settlement of standardized repos to segregate risks. Standardized repos are traded through the call auction system and orders are matched strictly pursuant to the principles of “price-time priority”, with the repo interest rate determined by demand

and supply. Price formation is entirely market-based. The Exchange offers 9 standardized repo products, with their standardized terms ranging from 1 day, 2 days, 3 days, 4 days, 7 days, 14 days, 28 days, 91 days to 182 days.

Bilateral repos are entered into by the parties upon independent negotiation. In a bilateral repo, the borrower (the “repurchasing party”) pledges the underlying bonds as collaterals in order to borrow funds from the lender (the “reverse repurchasing party”) and they agree upon a specific day on which the repurchasing party will return the principal to the reverse repurchasing party and pay interest accrued on the principal based on the agreed repo interest rate, while the collateral will be released. Orders for bilateral repos, including intent orders, execution orders, maturity confirmation orders, maturity renewal orders, pledge release orders, bond replacement orders and early termination orders, may be submitted through the Electronic Platform. There are two types of trading orders: intent orders and execution orders. On each trading day, the Electronic Platform accepts orders for bilateral repos from 9:30 am to 11:30 am and from 1:00 pm to 3:15 pm. The bonds that can be pledged as collateral for bilateral repos include

all bond products and asset-backed securities that are traded or transferred on the Exchange and other products recognized by the Exchange. The suspension of spot trading in the underlying bonds for a bilateral repo does not impede such bonds from being used in bilateral repo trades, unless otherwise prescribed by the Exchange. Any market participants that meet the investor suitability requirements may participate in bilateral repo trades. The underlying bonds for a bilateral repo can be any bonds that are listed on the Exchange, whether they are publicly offered or not. In a bilateral repo, the conversion factor for the underlying bonds and the interest rate are determined by the parties through independent negotiation. The term of a bilateral repo is determined by the parties, ranging from 1 day to 365 days. As a bilateral repo allows for renewal and netting upon renewal, a third party may substitute for the existing reverse repurchasing party upon renewal of the bilateral repo. A bilateral repo is settled between two clearing participants and is subject to unsecured settlement on a real-time, full amount and trade-by-trade basis. Generally, risks in a bilateral repo are controlled through extension of credits from one party thereto to the other party.



Source: SSE, as of the end of 2016



The Shanghai Stock Exchange's current trading hall, which is now mainly used for holding IPO ceremonies and other events

Arrangements for Fund Trading

An Exchange Traded Fund, abbreviated as ETF, means a fund traded on an exchange that tracks a specified index and can be created and redeemed at the net asset value of the fund on the primary market. Depending on their underlying assets, ETFs traded on the Exchange include stock ETFs (including those tracking the index of a single market or the indices of more than one market), cross-border ETFs, bond ETFs, gold ETFs and currency ETFs.

Shares of an ETF may be created or redeemed on physical assets, which means shares of the ETF may be created or redeemed by an investor in the form of a basket of underlying securities on the primary market at any time during the period specified in the contract. When creating the shares of the ETF, the investor provides a specified basket of securities to the ETF manager in exchange for shares of the ETF; when redeeming shares of the ETF, the investor gives back the shares of ETF in exchange for the basket of underlying securities. Generally, ETFs are created and redeemed on a share-by-share basis. Considerations for the creation and redemption of shares of an ETF include, among others, baskets of securities, cash

in-lieu amount and cash balancing amount. The ETF manager publishes a list of shares of the ETF available for creation or redemption according to the net asset value and investment portfolio of the ETF and the component stocks of the ETF’s underlying index. The investor may, based on the list, deliver a corresponding quantity of component stocks to the ETF manager in exchange for shares of the ETF which are a creation unit or an integral multiple of such unit. Conversely, in the case of in-kind redemption, the investor returns the shares of the ETF which are a creation unit or an integral multiple of such unit to the ETF manager in exchange for the component stocks specified in the list.

Trades in ETFs on the secondary market are carried out in a way similar to those in stocks, where the tick size of an order for ETFs is RMB 0.001 and a price limit of 10% is imposed. Stock ETFs are traded on a T+1 basis, which means that shares of an ETF bought on a specific day, may be sold the next trading day. However, cross-border ETFs, gold ETFs, bond ETFs, and currency ETFs can be sold on the same day when they are purchased.

SSE Fund Market Key Products		Number	Market Value (RMB bn)	Trading Volume (RMB bn)
ETF	Stock ETF	64	132.6	368.1
	Bond ETF	3	6.6	62.1
	Gold ETF	2	7.2	119.9
	Money ETF	23	178.8	8202.5
	Cross Border ETF	7	12.2	101.0
Close-end Fund		3	16.5	21.3
LOF		24	4.5	8.7
Structured Fund		15	2.4	52.4
Money Fund		6	28.0	--
Total		147	388.8	8935.9

Source: SSE, as of the end of 2016

Arrangements for Derivatives Trading

Drawing upon the practices of both international options markets and domestic futures market, the Exchange has established a stock options market that is tailored to China’s capital markets and investors. The option products currently listed on the Exchange are 50ETF options, including call and put options. When initially listed, each type of these options features four different expiration months and five strike prices.

The 50ETF options are physically-delivered European options and traded in a way that combines auction trading with market-making trading. That is, market makers submitting both bid and ask prices participate in auction trading together with investors who place orders. Auction trading is subject to the principle of “price-time priority” and opening and closing prices are generated by call auction. The tick size of an order for 50ETF options is RMB 0.0001.

Key Features of SSE 50ETF options	
Underlying Asset	SSE 50 ETF
Contract Type	Call option and put option
Contract Unit	10,000
Strike Price	1 at-the-Money, 2 in-the-Money and 2 out-of-the-Money
Expiration Month	Current month, next month and the following two consecutive quarters
Expiration Date	The fourth Wednesday of each expiration month
Option Style	European style
Contract Delivery	Physical delivery

Adhering to the principle of “high standards, stable operation, strict supervision and tight risk control”, the Exchange has implemented the following trading rules:

(1) investor suitability rules under which only eligible investors are permitted to participate in options trading;

(2) strict margin requirements that can basically cover the risk of the options contract’s underlying asset hitting the price limit during two consecutive trading days;

(3) front-end control of positions and funds by leveraging technological strength;

(4) non-linear price limit requirements that set

different price limits for in-the-money and out-of-the-money options;

(5) position limit requirements that control investors’ long positions, total positions and single-day buying positions;

(6) purchase limit requirements which set forth a limit on the amount of funds which an investor may use to buy options; and

(7) circuit breakers which suspend continuous trading of an options contract when the price of such contract hits a certain level of volatility.



Chapter IV
**Registration
and Settlement**

04

Registration and Depository Arrangements

Securities registration refers to activities taken by a securities depository and clearing organization that is entrusted by securities issuers to establish and maintain a register for securities holders in order to authenticate the fact that they hold certain securities. Securities depository refers to activities taken by a securities depository and clearing organization that is entrusted by securities companies to provide centralized safekeeping for the proprietary securities of securities companies and their clients as well. Furthermore, such securities depository and clearing organization provides services related to the benefits entitlement of the securities such as collection of dividends. Securities custody refers to activities taken by any securities company who is entrusted by its clients to safe-keep their securities on their behalf and provide services related to the benefit entitlement of the securities such as collection of dividends.



As a central securities depository, China Securities Depository and Clearing Corporation Limited (hereinafter referred to as "CSDC") provides centralized registration and depository services for securities listed on the Exchange and manages securities on a paperless and immobilized basis through establishing an electronic securities book-entry system.

1. Registration and Depository Model

CSDC adopts a registration and depository model where most securities are directly registered in the accounts of beneficial owners. Under such model, securities held by investors are directly listed

under their own names in the register of securities holders. If permitted by laws, administrative regulations or the CSRC, the securities of investors may also be registered in the securities account of their nominees. CSDC has the right to require nominees to provide relevant information on beneficial owners on whose behalf they act.

An investor participating in trading activities on the floor of the Exchange appoints a securities company as his securities custodian by completing the procedures for designated trading with the securities company and may only participate in trading activities through this securities company. Under such arrangement, the securities companies are entrusted by investors to take custody of investors' securities. CSDC is responsible for the depository of both the companies' proprietary securities and clients' securities in custody. CSDC sets up general ledgers for the clients and securities companies in order to maintain detailed list for companies' proprietary securities and clients' securities separately. In addition, securities issuers entrust CSDC to complete the registration of their issued securities.

2. Registration Services

CSDC classifies its securities registration services into initial registration, change of registration, withdrawal of registration and other services related to registration depending on the different stages of securities circulation. Initial registration includes registrations for IPO, bonds issuance, fund raising, issuing of warrants, additional offering of shares and rights issue, etc. Change of registration includes registration for share transfer through centralized trading, share transfer through non-centralized trading and any other changes applicable. If the rights of a securities holder are

restricted due to reasons such as the securities being pledged or frozen, CSDC will mark down the same amount in the register of securities holders. For securities that are delisted from the Exchange, CSDC will proceed to withdraw securities from registry for issuers. Other registration-related services include offering access to the register of securities holders, dividend distribution and online voting services.

3. Depository Services

CSDC provides securities companies with securities depository services. CSDC offers centralized safekeeping for securities companies' proprietary securities and clients' securities as well as services for maintenance of benefits entitlements, etc. Specific services include: establishing and managing securities accounts, maintaining securities holdings of securities companies' proprietary securities and their clients' securities via the book-entry system, providing access to securities accounts for securities holdings and holding changes therein, collecting dividends, and recording the establishment, change and termination of custody relationships between securities companies and investors. Meanwhile, CSDC also provides cross-market custody transfer services, including custody transfer for listing of enterprise bonds, cross-market custody transfer for treasury bonds and cross-system custody transfer for listed open-end funds.



The building to the right is going to be the new location for CSDC Shanghai branch, and the building to the left will be the Shanghai Stock Exchange's new location.

Clearing and Settlement Arrangements

Securities clearing and settlement is the process of delivering securities to buyers and paying funds to sellers based on their obligations arising from securities transactions. Clearing refers to the process of calculating the amount of receivables and payables related to securities and funds for two counterparties on the settlement day based on securities transactions. Settlement refers to the process of organizing the two counterparties to deliver securities and make payments respectively based on clearing results. CSDC provides funds and securities settlement services for trading of securities listed on the Exchange.

1. Settlement Principles

(1) Two-Tier Settlement

“Tier One” settlement can be classified into two categories based on whether CSDC acts as a central counterparty (hereinafter referred to as “CCP”) or not. When CSDC provides multilateral netting service as a CCP, it is responsible for

centralized clearing and settlement of securities and funds with clearing participants; When CSDC acts as a non-CCP, it provides clearing and settlement services for clearing participants. “Tier Two” settlement generally refers to the settlement between clearing participants and their clients.

(2) Delivery Versus Payment

Delivery versus payment means that securities will be delivered if and only if funds are paid and *vice versa* during the settlement process. A clearing participant who fails to have a sufficient amount of securities or funds available for settlement cannot obtain the corresponding funds or securities.

2. Settlement Methods

For different securities instruments, CSDC may mainly provide three types of settlement services: guaranteed net settlement, non-guaranteed gross settlement, and collection and payment service.



CSDC's Beijing headquarters

(1) Guaranteed net settlement

Guaranteed net settlement means that CSDC gets involved in the securities post-trade process as the settlement counterparty for all buyers and sellers, which offsets securities and funds receivable and payable from and to each clearing participant to calculate net funds and securities receivable and payable, and to complete guaranteed settlement with clearing participants on the settlement day based on the net clearing results. Guaranteed net settlement helps to simplify the settlement procedures and improve settlement efficiency. Meanwhile, CSDC manages counterparty credit risks in a centralized manner in accordance with the applicable clearing rules, contributing to the control and mitigation of the overall risks in the market.

At present, CSDC provides guaranteed net settlement services for the trading of A-shares, treasury bonds, a portion of corporate bonds (enterprise bonds), closed-end funds, pledged bonds repos, ETFs and other trading instruments.

(2) Non-guaranteed gross settlement

Non-guaranteed gross settlement means that CSDC only provides separate clearing for each securities transaction without acting as a central counterparty or undertaking the responsibility of guaranteed settlement and offset the funds and securities receivable and payable from and to each clearing participant. The settlement fails if any clearing participant is unable to provide a sufficient amount of funds or securities at the time of settlement. The settlement period of non-guaranteed gross settlement includes real-time gross settlement (RTGS), T+0 and T+1, which is pre-determined by the categories of trading instrument.

Currently, non-guaranteed gross settlement applies to transfer of SME private placement

bonds, quotation repos, purchase and redemption of some ETFs and cash in-lieu transactions, transfer of corporate bonds and specific asset management programs not qualified for netting, transfer of non-publicly offered preferred stocks, other offering activities, agreed repurchase securities trading and exchange of exchangeable corporate bonds for stocks.

(3) Collection and payment service

Collection and payment service is a value-added service provided by CSDC to clearing participants for funds transfer. Clearing participants and other entities may complete the clearing procedures on their own and submit clearing data to CSDC. CSDC then completes the transfer of funds based on data confirmed by the payer in accordance with relevant rules. Insufficiency of funds from the payer will result in failure of such transfer.

At present, CSDC can provide collection and payment service for purchase and redemption of some ETFs, refinancing activities and fund purchase and redemption, etc. It can also meet the demands for settlement of other OTC funds.



The lobby of CSDC Shanghai branch



Chapter V
Technical System

05

SSE Technology Co., Ltd (SSE Technology) is responsible for planning, constructing, operating and maintaining the IT systems and related crucial technical infrastructures of the Exchange in order to ensure the safe, stable and efficient operation of the Exchange market. In light of the functional positioning of the Exchange, SSE Technology provides market participants with technical services and technical support for product innovations to improve the Exchange’s capability in providing technical services for the securities industry.

SSE Technology currently provides securities trading services and technical support, allowing market participants to engage in business activities such as trading, access to market data, exchange of data and other non-trading activities through the Exchange’s trading platforms (including the

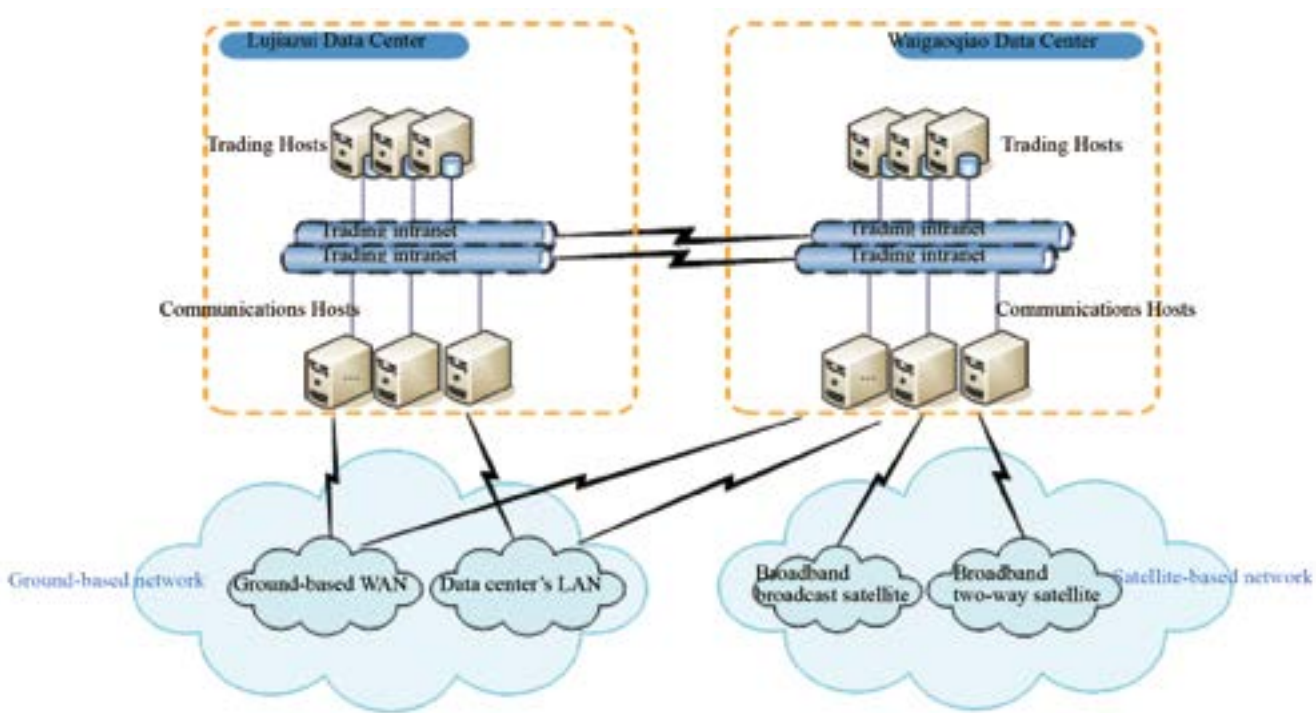
Matching Transaction Platform, the Alternative Trading Platform, the Derivatives Trading Platform, the Southbound Trading Link Platform and the Fixed Income Securities’ Platform). Market participants are also able to engage in Internet-based business activities through Business Processing Platforms such as the offline IPO system and the bond project application system.

1. Trading Services

SSE Technology provides the market with technical systems for product trading and trading activities. These systems are collectively referred to as “the trading systems”. The existing trading systems include:

(1) Matching Transaction Platform (MTP):

Technical Diagram for the Matching Transaction Platform



This platform provides the market with trading services for stocks, closed-end funds, open-end funds, ETFs, LOFs, stock pledged repos, and bond pledged repos.

The MTP now maintains a peak processing throughput of 120,000 orders/s and a continuous processing capacity of 60,000 orders/s and supports 200 million positions and accounts, with no limit to the maximum quantity. Currently the delay for order processing is 50ms. The platform has the capacity for a maximum of 240 million transactions per day.

(2) Alternative Trading Platform (ATP): This platform provides the market with trading services for block trading, purchase and redemption of monetary funds, ETFs and LOFs, pre-issuance trading of Treasury bonds, agreed repos, and quotation repos.

(3) Derivatives Trading Platform (DTP): This platform provides the market with trading services for standardized options contracts on stocks and ETFs and other underlying assets. The principal trading product at present is SSE 50 ETF options.

(4) Southbound Trading Link Platform: This platform provides the market with trading services for stock products within the scope as specified by HongKong Stock Exchange.

(5) Fixed-income Securities’ Platform (FSP): This platform provides the market with trading services for Treasury bonds, local government bonds, CDB bonds, enterprise bonds, corporate bonds, convertible bonds, exchangeable bonds, asset securitization, bond repos and private placement bonds. This platform provides one production environment and one around-the-clock simulation and testing environment.

2. Market Data Services

Based on the four major platforms (MTP, ATP, DTP and FSP), the Exchange has developed a multi-platform and multi-tiered system which provides in-depth coverage of LEVEL-II market data and basic coverage of LEVEL-I market data at a frequency of 3s/snapshot with a 2.75s delay.

(1) Market data for MTP: The MTP’s market data system is responsible for releasing market data on products listed for auction trading (including stocks, bonds and funds), indices and some third-party products. At present, the system mainly provides FAST and LEVEL-II market data.

(2) Market data for DTP: the DTP’s market data system is responsible for releasing market data on products listed on DTP, mainly including stock options contracts. The system now provides only FAST market data to the market.

(3) Market data for ATP: the ATP’s market data system is responsible for releasing market data on products listed on the platform. The system now mainly provides a redistribution service for market data files of ATP.

(4) Market data Redistribution:

1. The redistributed market data from the Shenzhen Stock Exchange (SZSE) mainly includes market data on SZSE-listed products. In May 2016, the SZSE’s market data system was upgraded to Version 5, which uses both static files format and streaming format.
2. The redistributed market data from the Southbound Trading Link Platform mainly includes market data on products traded through the Southbound Trading Link.

3. Communications Services

The SSE Technology’s communications services consist of ground-based network access (ground-based WAN, data center’s LAN) and satellite-based network access (broadband two-way satellite access, broadband one-way broadcast satellite access), allowing members and their business departments to access the networks through satellite and ground-based communications lines.

(1) Ground-based WAN

The ground-based trading access system can accommodate MSTP, SDH and DDN3 access and is mainly used to connect to the trading services of the MTP, ATP, DTP, Southbound Trading Link Platform and FSP.

The high-speed ground-based market data access system provides users with MSTP WAN access

and supports the use of UDP in receiving FAST market data.

(2) Data center’s LAN

The uplink access system of the colocation data center uses Gigabit Ethernet and provides users with access to the trading services of MTP, ATP, DTP, Southbound Trading Link Platform and FSP via trading ports.

The high-speed ground-based market data access system provides users with Gigabit Ethernet access and supports the use of UDP in receiving FAST market data.

(3) Broadband two-way satellite system

In response to the need for the high-capacity satellite communications backup system for centralized trading in the securities communications market, the broadband two-way

satellite system provides securities companies, fund management companies, banks and other market participants with a two-way satellite communications platform for securities trading services, with multiple band widths options.


securities companies, fund management companies, banks and other market participants with data and information, including real-time market data, after-trade data and announcements in the securities and futures markets.

(4) Broadband one-way broadcast satellite system

This system is a one-way satellite communications system which provides financial market and




The Shanghai Stock Exchange is one of the first exchanges to implement paperless and automatic tradings.




Trading Services

- Include Matching Transaction Platform (MTP), Alternative Trading Platform (ATP), Derivative Trading Platform (DTP), etc.
- The MTP now maintains a peak processing throughput of 120,000 orders/s, and a daily capacity for a maximum of 240 million transactions.



Market Data Services

- Based on the trading platforms, SSE has developed a multi-platform and multi-tiered system which provides in-depth coverage of LEVEL-II market data and basic coverage of LEVEL-I market data at a frequency of 3s/snapshot with a 2.75s delay.



Communication Services

- Consist of ground-based network access (ground-based WAN, data center’s LAN) and satellite-based network access (broadband two-way satellite access, broadband one-way broadcast satellite access).
- Allow members and their business departments to have access through satellite and ground-based communications lines



On Nov 23, 2009, a new generation trading system went online in the Shanghai Stock Exchange.



Chapter VI
Market Oversight

06

Supervision of Listed Companies

I. Self-regulation of Listed Companies

The Exchange's supervision of listed companies aims to monitor and oversee information disclosure of listed companies to ensure that investors can obtain valid information in time so as to make rational investment decisions.

The Exchange's supervision over information disclosure by listed companies has multiple features:

(I) The Exchange exercises supervision over

listed companies in accordance with statutory requirements. The *Securities Law* provides that a stock exchange shall "urge listed companies to fulfill their information disclosure obligations".

(II) The supervision is a kind of self-regulatory activity as listed companies need to enter into listing agreement with the Exchange, thus subjecting to the rules and supervision of the Exchange.

(III) As a frontline supervisor, the Exchange needs to directly deal with announcements released



by listed companies to identify problems and make judgments, and then take rapid responsive actions and urge them to correct such problems.

(IV) The Exchange's supervision is based on offsite inspection, which shall differ from the administrative supervision of the CSRC regional offices with a focus on onsite inspection.

(V) The Exchange's supervision is service-oriented. The Exchange offers regular business trainings to various personnel from listed companies each year and provides technical support for listed companies in businesses related to investors. The Exchange launched the "SSE Interaction" platform for listed companies in 2013 and the new online voting system for shareholders' meetings in January 2015.

In urging listed companies to fulfill their information disclosure obligations as provided by laws and regulations, the Exchange has fulfilled the following specific functions:

1. Formulating information disclosure rules in accordance with the law. The Exchange has developed a complete set of information disclosure rules revolving around the *Rules Governing the Listing of Stocks on the Shanghai Stock Exchange*, all of which are publicly available. Meanwhile, special rules and guidelines have been formulated for targeted supervisory activities of the CSRC.

2. Carrying out ongoing and ex-post supervision of information disclosure announcements. The Exchange focuses on the adequacy, timeliness and fairness of information in periodic reports and *ad hoc* announcements of listed companies. For announcements not up to standard

released by a listed company, the Exchange will urge the company to release a corrective or supplementary announcement. For market rumors related to any listed company, the Exchange will urge the company to promptly check and clarify such rumors. For any suspected violation of laws and regulations, the Exchange will submit the case to the regional CSRC office for onsite inspection or initiation of a formal investigation; and for a major asset reorganization involving offering of stocks, the Exchange will, prior to submitting the matter to the CSRC for administrative review, conduct a supervisory inquiry and require the relevant company to disclose its reply to such inquiry.

3. Dealing with high-risk companies properly. Based on delisting arrangements of the CSRC, the Exchange is responsible for implementing specific delisting work. In 2016, the Exchange completed the delisting of *ST Boyuan, the first company delisted due to material illegal acts in information disclosure. By the end of 2016, a total of 51 companies were delisted from the Exchange.

4. Taking supervisory measures against violations. The Exchange has already formulated explicit supervisory standards and established a working mechanism which separates investigation from examination. Under such mechanism, a specific business department of the Exchange is responsible for investigating cases and the disciplinary committee of the Exchange is responsible for examining cases and making decisions on penalties.

II. Major Efforts in Facilitating the Transformation of Supervision over Listed Companies in the Past Two Years

(I) Promoting the one-stop information disclosure service

To boost efficiency in information disclosure, raise the awareness of listed companies as the principal party of information disclosure and segregate sensitive information, the Exchange officially launched the one-stop information disclosure service in July 2013. Listed companies may directly release announcements at their own discretion via the one-stop information disclosure service system. Instead of performing ex ante review of all announcements, the Exchange exercises ex post review of relevant announcements. After the smooth implementation of the one-stop information disclosure service, the Exchange has been focusing on the following two measures over the past two years to optimize relevant business and technical arrangements:

1. Expanding the scope of announcements covered by the one-stop information disclosure service. In April 2015, the Exchange replaced its ex ante review with ex post review involving supervisory judgments. Thereafter, the percentage of ex post review has increased from 85% to 90%, among which the percentage of announcements in the regular categories rose to around 92%.

2. Increasing information disclosure sessions. To meet the business needs of listed companies following the launch of Shanghai-Hong Kong Stock Connect, from June 2015, besides the after-hour information disclosure session, the Exchange added three more information disclosure sessions (morning session, mid-day session and non-

trading day session). Shanghai and Hong Kong stock markets are largely synchronized in terms of time requirements for information disclosure and types of announcements.

(II) Fully implementing industry-based supervision over information disclosure

In order to provide services more tailored to investors, unify supervisory standards and enhance the efficiency of supervision, from January 2015, the Exchange fully switched from region-based supervisory approach to industry-based supervision over information disclosure of listed companies. The Exchange has focused on the following two measures:

1. Formulating guidelines for information disclosure by industry. Since 2015, the Exchange has, on the basis of preliminary industry research and industry-based supervisory experience as well as public feedbacks, released 20 guidelines on industry information disclosure, covering all major industries.

2. Implementing industry-based supervision requirements in the review of periodic reports and other periodic tasks. Since the initial attempt to exercise industry-based supervision in 2015, the Exchange has been continuously optimizing the review mechanism and requirements for annual reports in an effort to further increase the value of information from annual reports.

(III) Propelling thorough supervision over information disclosure

To curb market hype and speculation and guide the market to create a healthy environment for value investment, the Exchange has leveraged its due role in the thorough supervision over

information disclosure from the following five aspects.

1. Improvement of rules to ensure lawful supervision. The Exchange has formulated and released more than ten information disclosure guidelines covering hotspot announcements in the market, including those on stocks with a high bonus issue ratio or a high rate of capitalization of capital surplus, strategic partnership agreements for new business, change in stock short name, and equity transfer.

2. Problem-oriented supervision by category. The Exchange has focused its supervision efforts on listed companies which have frequently released hotspot subjects and experienced “roller-coaster” price movements and on announcements which have high levels of risk and uncertainty and are liable to have an impact on the stock price.

3. Ongoing supervision through fast responsive actions. The Exchange will make a supervisory judgment immediately after the disclosure of announcements under close supervision. If there is any misleading statement or inadequate disclosure of risks, the Exchange will immediately issue a letter to urge the company to make a supplementary disclosure.

4. Comprehensive supervision aimed to boost effectiveness. If a listed company fails to promptly release a supplementary or corrective announcement, the Exchange will suspend the trading of its stocks to protect investors from irrational trading activities as a result of misleading information. For announcements which obviously compound stock price speculations, the Exchange will check trading activities of insiders and report clues to the CSRC.



Team discussion in the the Listed Company Supervision Department

5. Strict supervision for developing a market discipline mechanism. Any stock price speculation which takes advantage of announcements on hotspot themes, once detected, will be investigated and penalized, thus deterring any future violation. For any misconduct of intermediaries involved in improper disclosure, including neglect of duties, insufficient care and diligence as well as intentional concealment of possible violations, all individuals involved will be held accountable.

(IV) Continuously boosting the transparency of supervision

To strengthen the consistency and credibility of supervision, the Exchange has made the following efforts in increasing the transparency of its supervisory activities over the past two years:

1. Promptly formulating and releasing rules. As some supervision standards over information

disclosure exist in the form of supervisory experience and have not been institutionalized, the Exchange has stepped up its efforts to draw upon its experience to set supervision standards and ensure the consistency of standards and their execution.

2. Continuously promoting the transparency of the process and results of supervision and gradually making supervisory transparency a routine practice. The Exchange keeps the market updated on its positions, attitudes and measures via its official Weibo account and press conferences, etc. A dedicated supervisory information section is available on the Exchange’s official site to release supervisory measures and related supervisory letters against listed companies.



Supervision of Members

The Exchange is a self-regulatory and membership-based organization with legal personality that provides venues and facilities for centralized trading of securities, organizes and supervises the trading of securities. Consisting of all SSE members, the General Assembly is the highest authority of the Exchange. The Exchange performs its self-regulatory function, engages in business activities pursuant to the law, prioritizes the public interest and maintains a fair, orderly and transparent market.

Members of the Exchange are entitled to:

- (1) attend the General Assembly;
- (2) elect and to be elected;
- (3) submit a proposal and vote on the affairs of the Exchange;

- (4) engage in securities trading on the Exchange market and receive services from the Exchange;
- (5) supervise the affairs of the Exchange and the activities of other members;
- (6) acquire and transfer membership seats, provided that at least one membership seat is retained; and
- (7) other rights as prescribed by the Exchange.

Meanwhile, members of the Exchange are obligated to:

- (1) comply with relevant laws, regulations and rules in engaging in securities operations;
- (2) comply with the Article of Association and rules of the Exchange and implement any resolution of the Exchange;



- (3) establish a technical system for trading and improve the framework for compliance and internal risk control;
- (4) supervise and manage the trading activities of its own and its clients to prevent trading violations and abnormal trading risks;
- (5) fulfill trading and settlement obligations to the Exchange market;
- (6) apply investor suitability rules to its clients, provide investor education, and properly handle any trading disputes with and complaints from its clients to protect legitimate rights and interests of investors;
- (7) safeguard the stable development of the trading market;
- (8) pay all fees and provide relevant information in accordance with requirements;
- (9) be subject to supervision of the Exchange; and
- (10) perform other obligations as prescribed by the Exchange.

The Exchange carries out real-time monitoring of securities trading activities of its members, focusing on their abnormal trading activities

which may influence trading price or trading volume. The Exchange may, as warranted in its supervisory activities, monitor and conduct onsite/offsite inspection of the operation of the members’ risk management system, trading system and relevant systems in their securities business activities.

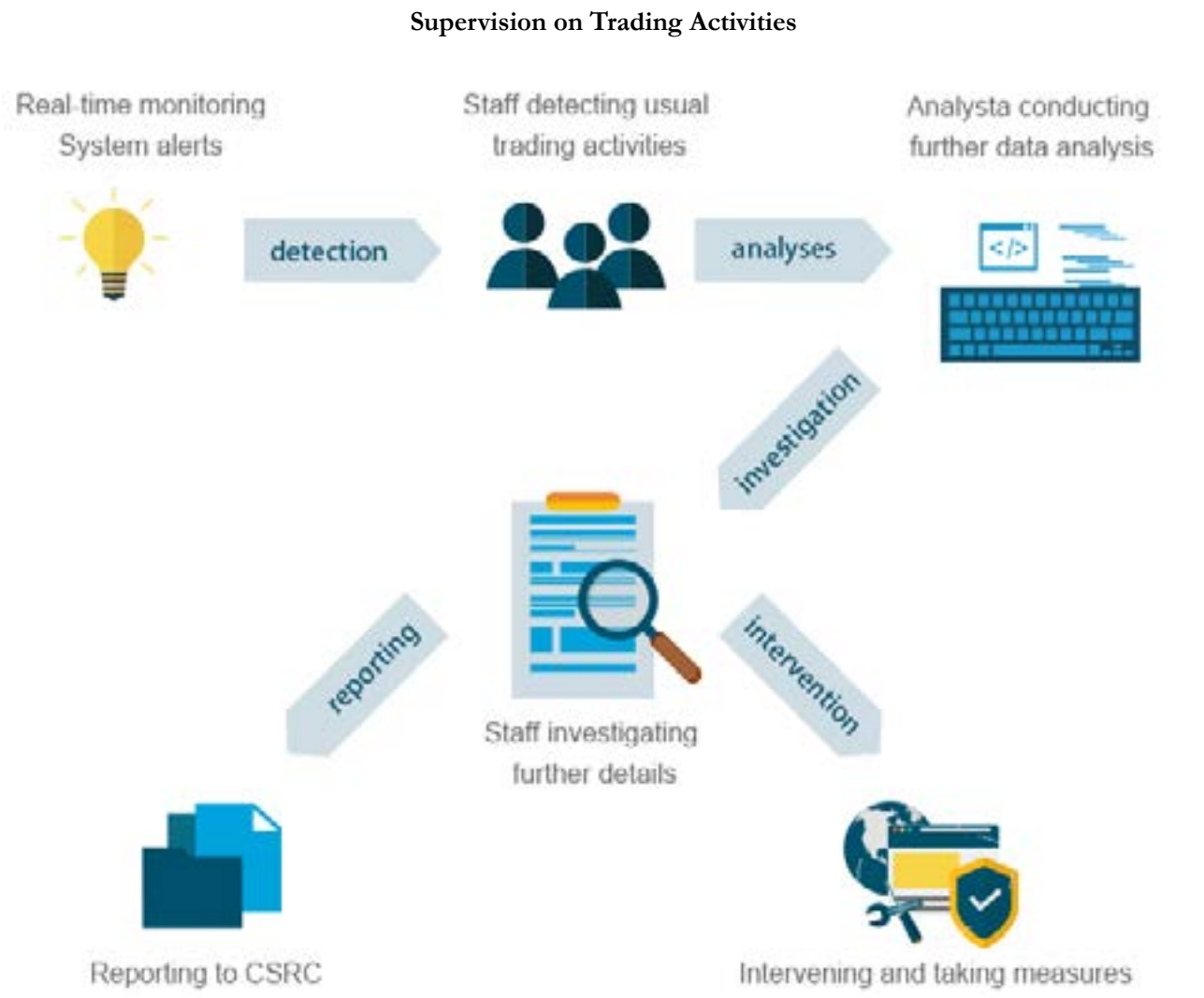
If a member of the Exchange violates the Exchange’s Article of Association and rules, the Exchange may adopt a wide range of self-regulatory measures, including but not limited to giving verbal or written warnings, demanding correction within specified timeframe, conducting supervisory interviews, and temporarily refusing to accept or handle any relevant business. In case of a serious violation, the Exchange may impose one or more of the following disciplinary sanctions: (1) circulating a notice of criticism; (2) giving a public censure; (3) imposing a penalty or fine; (4) suspending or restricting trading rights; (5) revoking trading rights; (6) revoking membership.

Representative offices in China set up by overseas securities institutions may apply to become special members of the Exchange. Special members may attend the General Assembly as non-voting participants, receive relevant services from the Exchange and propose pertinent suggestions. However, special members are not entitled to other rights enjoyed by members.

Market Surveillance

Pursuant to the *Securities Law* and the *Measures for the Administration of Stock Exchanges*, the Exchange is responsible for real-time monitoring of securities trading activities. As required by the CSRC, the Exchange also reports to the CSRC any unusual trading activities. The Exchange, through the surveillance system, carries out real-time and comprehensive monitoring of securities trading in order to identify any unusual trading activities; if necessary, it adopts self-regulatory measures, including, among others, giving verbal

or written warnings, demanding submission of compliance commitments and conducting supervisory interviews, imposes disciplinary sanctions, including restricting trading via certain accounts, and reports to the CSRC any clues of abnormal trading activity suspected to violate laws and regulations. Meanwhile, the Exchange is also committed to cross-market and cross-border regulatory cooperation to guard against market risks and maintain the principles of “openness, fairness and impartiality”.





Chapter VII

Investor Suitability

07

The investor suitability system, building upon mature markets' experience, is an important move taken by the Exchange to strengthen the legal framework of China's capital markets and provide better protection for legitimate rights and interests of investors. By developing and implementing investor suitability rules, the Exchange has effectively subjected securities institutions to regulatory requirements, urged them to fulfill their fiduciary duties to provide suitable financial products or services to investors, and to protect investors' legitimate

rights and interests, thus contributing to the healthy development of the market and social harmony and stability.

1. Overview of the Exchange's Investor Suitability System

The *Interim Measures of the Shanghai Stock Exchange for Investor Suitability* (the "Measures"), which was implemented in March 2013 and amended in 2017, is the fundamental framework document of the Exchange for investor suitability. The *Measures*,



Shanghai Stock Exchange's publications on investor education

which classify investors into general investors and professional investors, specify suitability obligations to be performed by securities institutions who are members of the Exchange when providing products of the Exchange market or related services to investors.

Since 2013, the Exchange market has strived to improve its capabilities to serve investors by launching innovative businesses and diversifying investment instruments. In order to regulate investor suitability and protect investors' rights and interests, the Exchange has developed and implemented suitability standards across products or businesses, including but not limited to bonds, Southbound Trading Link, stock options, margin trading and short selling, risk alert board and structured funds, in order to specify the threshold requirements on assets, experience, etc. for investors, regulate the obligations of relevant institutions, and impose greater requirements for market oversight and self-regulation. The comprehensive investor suitability system plays a positive role in promoting the healthy development of the Exchange market and protecting the rights and interests of investors.

2. Details of the Exchange's Investor Suitability System

(1) Bond market

In 2012, the Exchange promulgated the *Guidelines of the Shanghai Stock Exchange for Bond Market Investor Suitability* as the preliminary investor suitability framework for the bond market. In May 2015, the Exchange issued the *Measures of the Shanghai Stock Exchange for Bond Market Investor Suitability* to propel bond market development,

protect investors' rights and interests and prevent bond market risks. Pursuant to applicable rules, the Exchange classifies bond market investors into qualified investors and public investors, both of which participate in the subscription and trading of different bond products on the Exchange market. Meanwhile, the Exchange explicitly requires securities institutions to formulate measures for implementation of comprehensive assessments of bond market investors and carry out such investments.

(2) Southbound Trading Link under the Shanghai-Hong Kong Stock Connect

In September 2014, to support the launch of the Shanghai-Hong Kong Stock Connect, the Exchange released the *Measures of the Shanghai Stock Exchange for Implementation of Shanghai-Hong Kong Stock Connect* and the *Guidelines of the Shanghai Stock Exchange for Southbound Trading Link Investor Suitability*. The *Measures* specify the rules and requirements for investor suitability with respect to the Southbound Trading Link under the Shanghai-Hong Kong Stock Connect, particularly stressing that securities institutions shall conduct comprehensive assessments of the assets, knowledge, risk tolerance and creditworthiness, etc. of individual investors who participate in trading under the Southbound Trading Link. In addition, the Exchange requires securities institutions to sign a risk disclosure statement for trading under Southbound Trading Link with investors.

(3) Stock options

Early in 2015, the Exchange was approved to implement a pilot program of stock options.



Shanghai Stock Exchange's posters on investor suitability illustrated using ancient fables and historical figures

Specific rules with respect to participation in the pilot trading of stock options are set out in the *Guidelines of the Shanghai Stock Exchange for Investor Suitability in the Pilot Program of Stock Options*, including investor suitability standards, basic requirements for comprehensive assessments, requirements for investor tests, classification and management of investors' trading rights and investor education (particularly investment risk education).

(4) Margin trading and short selling

To regulate margin trading and short selling, maintain an orderly market and protect the legitimate rights and interests of investors, the

Exchange promulgated the *Implementing Rules of the Shanghai Stock Exchange for Margin Trading and Short Selling* in 2011. As of 2015, the total number of credit accounts in the Shanghai stock market saw rapid growth. To effectively protect the legitimate rights and interests of investors and ensure the steady and healthy development of the margin trading and short selling business, the Exchange has revised the *Implementing Rules of the Shanghai Stock Exchange for Margin Trading and Short Selling* to further stress that members shall apply client suitability rules more strictly and guide their clients to participate in margin trading and short selling in a rational, lawful and compliant way.

(5) Risk alert board

To guard against risks in the trading of stocks of listed companies, ensure effective implementation of the arrangements for delisting companies and protect the legitimate rights and interests of investors, the Exchange has revised the *Measures of the Shanghai Stock Exchange for the Administration of Stock Trading on the Risk Alert Board* in 2015. The *Measures* stipulate the investor suitability rules for trading of stocks of SSE-listed companies on the risk alert board, particularly the eligibility requirements for individual investors in purchasing stocks which have entered the delisting preparation period. Meanwhile, the *Measures* also require members to carry out prudent assessments of suitability of individual investors who participate in the trading of the stocks in delisting preparation period and refrain from accepting orders from unsuitable investors to buy those stocks.

(6) Structured funds

There are some risks in investing in structured funds as their design and relatively complex trading mechanism are difficult for general investors to understand. To strengthen the management of structured fund business and protect the legitimate rights and interests of investors, the Exchange has released the *Guidelines of the Shanghai Stock Exchange for Administration of Structured Fund Business* in 2016, which improves the investor suitability system and imposes greater requirements for investor eligibility management and disclosure of trading risks. Drawing upon investor suitability experience and practices in high-risk businesses such as margin trading and short selling, the Exchange incorporates relevant rules and requirements which individuals and general institutional investors shall meet to apply for trading rights with respect to

structured funds, such as requirements for assets and requirements to pass the comprehensive assessment and sign a risk disclosure statement. In addition, the Exchange requires fund managers to issue risk disclosure notices under specified circumstances, making risk alerts to investors more targeted and effective.

3. Improved Investor Suitability Administration

The *Measures for Securities and Futures Investor Suitability* was promulgated by the CSRC in December 2016 and came into force on July 1, 2017. As fundamental rules in the securities and futures markets for investor suitability, the *Measures* standardizes fundamental requirements for investor classification, product grading and suitability matching and other requirements, suitability obligations of securities and futures institutions, and sanctions for violation of those obligations.

To implement the *Measures for Securities and Futures Investor Suitability*, the Exchange has revised investor suitability rules in relevant business rules. By organizing trainings, monitoring activities to require securities institutions to implement investor suitability rules and establishing a mechanism for assessing the implementation of the investor suitability system by securities institutions, the Exchange has strengthened investor suitability, consolidated the fundamental systems for the capital markets, provided effective protection for the legitimate rights and interests of medium and small investors, and prevented systemic risks.



1. International Exchanges and Cooperation

Staying in close touch with exchanges around the world, the Exchange has already signed memorandums of cooperation with 47 overseas exchanges. The Exchange has become increasingly influential in international organizations. With the chairman of the Exchange elected chairman of the World Federation of Exchanges (WFE) on Sep 7, 2017, the Shanghai Stock Exchange becomes the first Chinese mainland exchange to hold a leading position in international industry associations. Meanwhile, the Exchange is also a member of the Asian and Oceanian Stock Exchanges Federation (AOSEF) and the International Capital Market Association (ICMA).

Since its inception, the Exchange has been committed to becoming an international exchange and facilitating the integration of China's capital markets with international markets. The listing of the first B-share on the Exchange in 1992 marked the availability of B-share trading as a means for foreign investors to enter the Mainland's capital markets; H-share IPO on the SEHK by the SSE-listed Tsingtao Brewery in 1993, for the first time, opened up the path for Chinese enterprises to go public in Hong Kong; in the wake of China's admission to WTO in 2002, with the establishment and development of QFII and QDII programs, etc., the Exchange has been providing great services for domestic and foreign institutional investors, serving as a bridge between China and international markets.

With the strong support from the Central Government, the Hong Kong SAR Government, the Shanghai Municipal Government and regulators of the Mainland and Hong Kong, the Exchange and the HKEX successfully launched the Shanghai-Hong Kong Stock Connect in 2014 to achieve connectivity between the stock markets of Shanghai and Hong Kong, contributing to the two-way accessibility of China's capital markets, internationalization of Renminbi, development of Shanghai as an international financial center and consolidation of Hong Kong as an international financial center. Currently, trading, settlement, exchange of currencies, corporate actions and other business activities under Shanghai-Hong Kong Stock Connect continue smoothly, with the business



and technical systems in stable operation. The CSRC and the Securities and Futures Commission (SFC) of Hong Kong signed a joint statement on Shenzhen-Hong Kong Stock Connect at the end of 2016, marking another major step in interconnecting the financial markets of the Mainland and Hong Kong. The Exchange will provide positive support and share its experience gained from the preparation and operation of Shanghai-Hong Kong Stock Connect to ensure the success of the Shenzhen-Hong Kong Stock Connect.

In addition, the Exchange has never ceased its effort in exploring various ways to promote the integration of China's capital market with international markets. In 2015, the Exchange, Deutsche Börse (DB) and China Financial Futures Exchange (CFFEX) set up a joint venture – China Europe International Exchange AG (CEINEX). Currently, there are over 100 bonds and ETFs listed and traded on CEINEX, with a total turnover of RMB 3 billion. CEINEX is increasingly becoming an influential trading platform in European markets for China-related instruments.



Launching ceremony of Shanghai-Hong Kong Stock Connect in the Shanghai Stock Exchange on Nov 17, 2014

2. Shanghai-Hong Kong Stock Connect

In December 2012, the Exchange’s well-thought-out proposal for interconnecting the stock markets of Shanghai and Hong Kong received a positive response from the HKEX. Afterwards, with the great support of the CSRC, the SFC, relevant ministries and Shanghai Municipal Government and other parties, the Exchange and the HKEX conducted program design and discussions on various aspects of Shanghai-Hong Kong Stock Connect, such as its implementation paths and mechanism framework, in a highly confidential way. On April 10, 2014, Premier Li Keqiang officially announced the Shanghai-Hong Kong

Stock Connect program at the Boao Forum for Asia. In the subsequent six months, the Exchange, together with the SEHK, the CSDC and the SCC, achieved fruitful results in preparing for implementing the program, completing the preparatory work in such areas as rules, protocols, business, technology, market, surveillance and risk control. Since its official launch on November 17, 2014, Shanghai-Hong Kong Stock Connect has been in smooth operation and has realized the expected objectives.

The idea of the Shanghai-Hong Kong Stock Connect program comes from the Exchange’s efforts to explore and reflect on ways to increase the accessibility of the market and the program has become one of the milestones on China’s path towards further reform and opening up. In the context of a non-fully convertible capital account, Shanghai-Hong Kong Stock Connect has pioneered a new mode for cross-border securities investments which is user-friendly and keeps risks under control. As a further step in the new round of two-way liberalization of China’s capital markets, Shanghai-Hong Kong Stock Connect helps to facilitate the internationalization of Renminbi, consolidate the position of Shanghai and Hong Kong as an international financial center and significantly accelerate the internationalization of the Exchange. Since its inception, Shanghai-Hong Kong Stock Connect has received great attention and recognition from Chinese leaders, positive response and wide participation from market participants and strong interests and high praise from the international community. Acclaimed as the most complex financial innovation since the birth of Euro, Shanghai-Hong Kong Stock Connect marks a milestone in the opening up of China’s capital markets and the dawning of a new era for China’s capital markets. It is a masterstroke in the two-way liberalization of the capital markets of Shanghai and Hong Kong.



3. CEINEX

CEINEX is an exchange-operated joint venture established in Frankfurt by the Exchange, CFFEX and Deutsche Börse, with the approval of the State Council and the CSRC. CEINEX's registered capital amounts to RMB 200 million (approximately EUR 27 million) and the Exchange, CFFEX and Deutsche Börse hold 40%, 20% and 40%, respectively, of the total shares of CEINEX.



Positioning itself as a trading and pricing center in Europe for offshore Renminbi assets, CEINEX will cater to the needs of investors for Renminbi financing and investments, builds a comprehensive risk management platform and become a key overseas extension of and supplement to the domestic capital markets. In the context of “German Industry 4.0” and “Made in China 2025”, CEINEX will help China and Germany to meet the investment, financing and risk management needs of enterprises and boost the



Opening ceremony of CEINEX in Frankfurt, Germany

development and integration of the real economies of the two countries; it will help to provide high-quality investment products and venues for Renminbi funds in Europe, develop a market for Renminbi-denominated securities in the European region and accelerate Renminbi internationalization; it will help to meet needs for investing and trading in and risk management of offshore Renminbi assets; it will help to facilitate the “introduction” of international capital to China and the “going global” of Chinese enterprises and financial institutions and expedite the two-way liberalization of China’s capital markets; and it will help domestic exchanges develop international markets from a higher starting point, learn from advanced experience of the world’s top exchanges in the full-range service chain, and train internationally competitive talents, thus contributing to the international development of domestic exchanges.

Pursuant to official reply of the CSRC, CEINEX has initially focused on the development of such spot products as ETFs, bonds, stocks and depository receipts, all of which are denominated and settled in Renminbi. The first group of new products, including two ETFs and one bond, were launched on November 18, 2015. Meanwhile, 196 Renminbi-denominated products and Chinese assets-related products listed on Deutsche Börse (excluding over 20 China concept stocks currently listed on Deutsche Börse) have been transferred to CEINEX. Launching futures on Deutsche X-trackers Harvest CSI 300 Index ETF on February 20, 2017, CEINEX is working on derivatives based on key domestic indices and its own spot market products.



Opening of CEINEX in Frankfurt, Germany



Chapter IX

Intermediaries and Investors

09



1. Members

By the end of 2016, the Exchange had a total of 114 members with 9,387 business offices. Members and non-members held a total of 5,363 seats and opened a total of 16,448 participant business units.

Non-members mainly include fund management companies, insurance companies, insurance asset management companies, listed commercial banks and other institutional participants. By the end of 2016, the non-member Exchange participants included 109 fund management companies, 36 insurance companies, 17 insurance asset management companies, 16 listed commercial banks, 4 banking asset management companies, 14 banks with pledge business, 1 social security fund institution (National Council for Social Security Fund), 23 futures companies, 14 financial companies and 2 trust investment companies. In addition, SEHK Securities Trading Service Company has also become a participant of the Exchange.

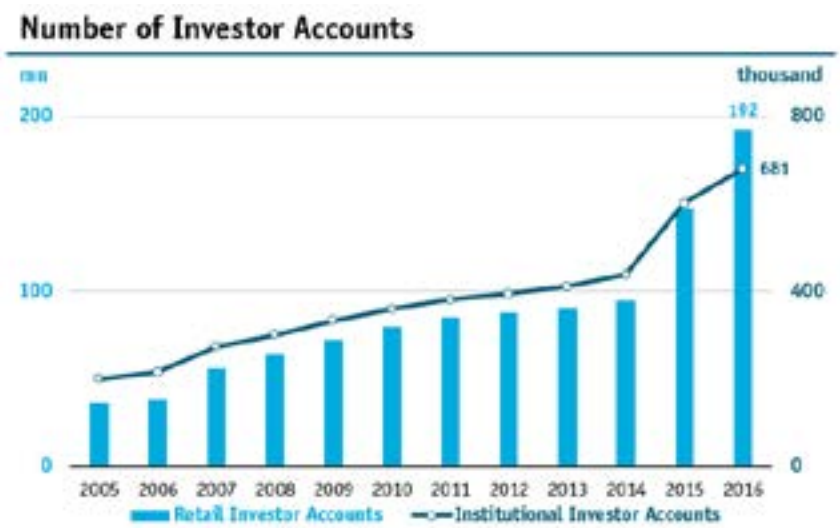
2. Investor Base

(1) Individual investors make up an absolute majority of investors in the Shanghai stock market.

Investors can be categorized into individual investors and institutional investors. Among investors in the Shanghai stock market, individual investors make up a substantial majority.

In terms of existing investor accounts, individual investors make up 99% of the total accounts. By the end of 2016, there were 193 million investor accounts in the Shanghai stock market, including 192 million individual investor accounts and 681,000 institutional investor accounts.

In terms of the number of active accounts¹, individual investors also enjoy absolute advantages. In 2016, there were a total of 57.761 million active accounts in the Shanghai stock market, including 57.68 million individual investor accounts, accounting for 99.9% and 81,000 accounts for institutional investors, making up merely 0.1%.



Source: Innovation Lab at SSE Capital Market Research Institute

(2) Most of individual investors in the Shanghai stock market are retail investors

Depending on their stock holdings, individual investors are classified into retail investors (with the market cap of their stock holdings being less than RMB 100,000), small investors (with the market cap of their stock holdings being between RMB100,000 and RMB 500,000), medium investors (with the market cap between RMB 500,000 and RMB 3 million), large investors (with the market cap between RMB 3 million and RMB10 million) and extremely large investors (with a market value of more than RMB 10 million).

¹ Active investors refer to investors who have participated in trading activities in the secondary market in the year or maintain stock holdings at the end of the year.

Active Accounts of Individual Investors



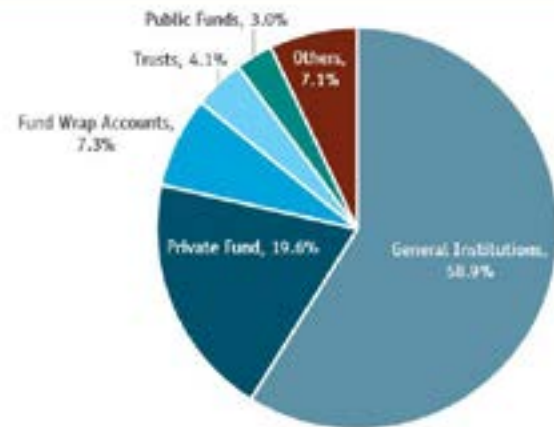
Source: Innovation Lab at SSE Capital Market Research Institute

In 2016, among active individual accounts, retail investors accounted for the most (59.7%), followed by small investors (27.8%). Medium investors, large investors and extremely large investors all had a much lower number of active accounts, making up 10.5%, 1.4% and 0.5% respectively.

(3) A significant portion of institutional investors in Shanghai stock market are general institutions

According to the nature of institutional investors, they fall into 12 categories, including proprietary accounts of securities companies , asset

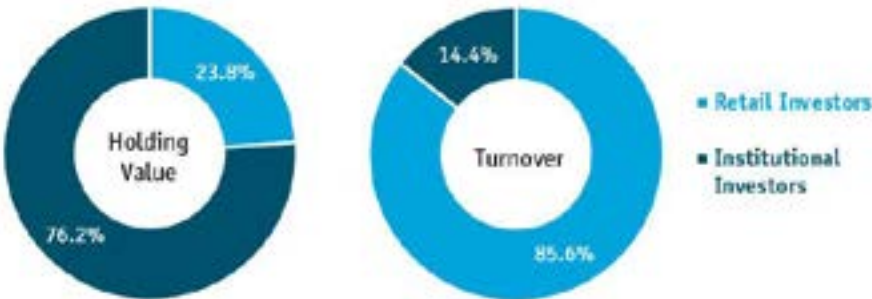
Active Accounts of Institutional Investors



Source: Innovation Lab at SSE Capital Market Research Institute

Market Breakdown by Investor Types

as of the end of 2016



Source: Innovation Lab at SSE Capital Market Research Institute

management accounts of securities companies, public funds (excluding ETFs), QFIIs, private funds, fund wrap accounts, trusts, the Social Security Fund, insurance companies, enterprise annuities, general institutions² (excluding securities lending accounts of securities companies) and investors under the Northbound Trading Link. In 2016, general institutions had the biggest number of active accounts, making up 58.9% of the active accounts of institutional investors, followed by private funds (19.6%), fund wrap accounts (7.3%), trusts (4.1%) and public funds (3.0%).

(4) The market value of stocks held by institutional investors is higher than that of stocks held by individual investors

Since 2008, the market value of stocks held by institutional investors has always been higher than that of stocks held by individual investors in the Shanghai stock market. In 2016, institutional investors made up 75.5% of the total market capitalization of the Exchange, individual investors made up 23.8% and investors under the Northbound Trading Link accounted for the remaining 0.7%.

²All institutional accounts other than the foregoing six types of institutional accounts are included as general institutions.