

Memorandum of Understanding between the CSRC and the SFC on Strengthening of Regulatory and Enforcement Cooperation under the Mutual Access between the Mainland and Hong Kong Stock Markets

For the establishment of mutual access between the Mainland and Hong Kong stock markets (hereinafter referred to as "Stock Connect", comprising Northbound Shanghai and Shenzhen Trading Links and a Southbound Hong Kong Trading Link), and the corresponding needs for enhancing investor protection and facilitating the sound development and effective operations of the stock markets in the Mainland and Hong Kong, the China Securities Regulatory Commission (hereinafter referred to as the "CSRC") and the Securities and Futures Commission of Hong Kong (hereinafter referred to as the "SFC", and together with the CSRC, collectively as the "Parties" or the "Authorities") have decided to further strengthen their regulatory and enforcement cooperation. Pursuant to the Joint Announcements dated 10 April 2014 and 16 August 2016 made by the SFC and the CSRC, the Parties have agreed to

Part II Alerts and Exchange of Investigatory Information

The Parties have agreed to establish a joint mechanism between their respective Enforcement Divisions for notification of alerts and exchange of investigatory information concerning suspected misconduct.

The Authorities will strengthen their market surveillance capabilities and complement each other's respective surveillance strengths, enhance the precision and accuracy of market monitoring reports, and further expand the channels and platforms for exchanging alerts and market surveillance intelligence.

3. Notification of suspected misconduct and alerts

The Parties will alert one another immediately to any information concerning suspected misconduct in the other's market once it is identified including:

- the source of the information giving rise to the alert;
- ii. the nature of the suspected misconduct; and
- iii. relevant information in the Party's possession related to suspected misconduct.

4. Notification of investigation

Each of the Parties will notify the other when it commences an investigation with a cross-boundary element.

The notification will include:

- i. the nature of the case, including the relevant legal provisions relating to the suspected misconduct:
- ii. the source or sources of information relating to the suspected misconduct;
- iii. relevant information including information known, believed or suspected to exist; and
- iv. other relevant information.

The informed Party may take appropriate action purs

Where urgent assistance is required, the requesting Party will provide reasons for the urgency in the request. The requested Party will on receipt of the request provide urgent assistance.

6. Joint investigation

In respect of significant and urgent cases relating to both jurisdictions, or where any of the suspects, witnesses or evidence are located in both jurisdictions, the Parties may commence a joint investigation. Through joint investigation, the Parties are able to make full use of their respective investigatory powers, complement each other's enforcement strengths and combat suspected misconduct in both jurisdictions, and more effectively protect the interests of investors.

In deciding whether to commence a joint investigation, the Parties shall take into account all of the following factors: location of the misconduct, location of the adverse consequences, location of the investors, location of evidence, location of witnesses, location of suspects, location of assets, possible sanctions and remedies available to both parties, and other relevant factors relating to the suspects and the misconduct.

12. Publication of information

With respect to publication of information such as media releases concerning enforcement cooperation, the Parties shall ensure that the timing and contents of the media releases are consistent.

13. Consultation and regular liaison

The Parties will hold liaison meetings every three months to discuss the progress of cross-boundary enforcement cooperation, matters of mutual concern or common interests. Further, depending on the progress of implementation of cross-boundary enforcement cooperation, the Parties may hold ad hoc discussions so as to further promote the implementation of the MoU.

If working level staff cannot reach consensus on any matter arising from this MoU, the Heads of Enforcement of the Parties will make the decision.

14. Internship, training and secondment programmes

The Parties will broaden internship, training and secondment programmes for enforcement staff.

15. Contact persons

The Parties should make formal requests for assistance and information exchange through designated contact persons. The Parties should notify each other in writing if