



The 'Dual Tranche, Dual Counter' Model: How it works

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Kester: Recently, I've been travelling to mainland China often with friends, and electronic payments have become increasingly convenient. I haven't really had a chance to use the RMB I exchanged earlier. It would be great if I could use RMB for investments! As an investment expert, what advice do you have?

Yvonne: Kester, did you know? Now you can also use RMB to buy ETFs listed in Hong Kong.

Kester: I know you can buy Hong Kong stocks with Hong Kong dollars (HKD), and buy A-shares with Renminbi (RMB). Can RMB be used to buy Hong Kong-listed ETFs?

Yvonne: Right, that's the 'Dual Tranche, Dual Counter' Model. Do you know what that is? From the perspective of ETFs, the 'Dual Tranche, Dual Counter' Model means that the same issuer lists two batches of ETFs with different trading currencies, specifically Hong Kong dollars (HKD) and Renminbi (RMB). If investors hold Renminbi, they can use the RMB counter to purchase Hong Kong-listed ETFs without converting the RMB into Hong Kong dollars in advance. This allows for real-time quoting based on the RMB exchange rate. The sold ETFs can be settled in HKD or RMB.

Kester: That's really convenient, and it reduces a lot of exchange rate costs.

Yvonne: Exactly! And vice versa, you can buy the ETF with HKD and then sell it in RMB. Kester, do you know how to distinguish whether the same ETF is traded in HKD or RMB?

Kester: Of course! HKD ETFs have a five-digit stock code starting with "0," and the abbreviation doesn't have a specific marker. However, the "0" is often omitted. On the other



hand, RMB ETFs have a five-digit code starting with "8," and the abbreviation ends with the English letter "-R."

Yvonne: Yes, taking the Tracker Fund of Hong Kong as an example: The stock code for the HKD counter is 2800. The RMB counter's stock code would be 82800-R

Kester: What about the dividend policy? If I buy an ETF with RMB, are the dividends calculated in RMB or HKD?

Yvonne: You just raised a question that many investors are concerned about! Typically, the offering documents for 'Dual Tranche, Dual Counter' ETFs will clearly specify which currency is used to distribute dividends. However, please bear in mind that if you do not have a bank account for the relevant currency yet, you should pay attention to any related fees for converting dividends into HKD or other currencies.

Kester: It sounds very appealing to me! If I want to trade at the RMB counter, what do I need to prepare? The most basic requirements are funds and a RMB bank account for settlement purposes.

Yvonne: You're partially correct! For buying and selling, you need a securities trading account. Typically, intermediaries offer multi-counter ETF trading and settlement services, so in principle, you don't need to open a separate account specifically for that purpose.

Kester: If you enjoyed our content and want to learn more about ETFs and investing, please visit the Hang Seng Investment official website or follow Hang Seng Investment's LinkedIn page. Stay tuned!



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