

# LCQ6: Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area

Following is a question by the Hon Robert Lee and a reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (November 29):

Question:

The financial regulatory authorities of the Mainland, Hong Kong and Macao announced on September 28 this year further enhancements to the Cross-boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area. In this connection, will the Government inform this Council:

- (1) as one of the enhancement measures is to "include eligible securities firms as participating institutions", of the relevant eligibility requirements (such as capital size and experience);
- (2) as the enhancement measures also include "expanding the scope of eligible investment products", whether the authorities will consider including investment products such as stocks, exchange traded funds, futures, precious metals and derivatives; if not, of the reasons for that; and
- (3) given that as at May this year, a total of 24 Hong Kong banks had commenced Cross-boundary Wealth Management Connect (WMC) services, while as at the end of April this year, the aggregate quota usages under the Southbound Scheme and Northbound Scheme of WMC (covering Hong Kong and Macao) were only RMB640 million and RMB260 million respectively, and it is learnt that currently, only a limited scope of Hong Kong financial institutions may participate in WMC, whether the Government has discussed with the regulatory authorities of the Mainland how to specifically expand the scope of Hong Kong financial institutions that may participate in WMC and scale up WMC services of such institutions; if so, of the details; if not, the reasons for that?

Reply:

President,

Cross-boundary Wealth Management Connect (Cross-boundary WMC) in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) was formally launched in September 2021, enabling residents in Hong Kong, Macao and nine cities in Guangdong Province to carry out cross-boundary investment in eligible wealth management products distributed by banks in the GBA. Cross-boundary WMC provides GBA residents with a formal, direct and convenient channel for cross-boundary investment in diverse wealth management products. It is a

milestone in the financial development of the GBA and an important measure that deepens and widens mutual access between the financial markets of the Mainland and Hong Kong.

For Hong Kong, Cross-boundary WMC creates new business opportunities for the local wealth management industry and benefits the entire financial industry value chain. It incentivises international financial institutions to allocate resources to Hong Kong for product development, product distribution, asset management and other businesses. It also promotes the cross-boundary flow and use of Renminbi (RMB) and further consolidates Hong Kong's position as a global offshore RMB business hub.

As an innovative financial co-operation measure in the GBA involving three different regulatory systems, Cross-boundary WMC has been implemented under a pilot approach in a gradual and incremental manner. On the basis of their respective existing regulatory regimes and practices, the relevant regulators in the three places are maintaining close collaboration and seeking flexibility for policy formulation and implementation.

My consolidated reply to the question raised by the Hon Lee is as follows:

Cross-boundary WMC has seen steady development since its launch. Regarding participating institutions, currently Hong Kong banks engaging in retail banking or private banking businesses and registered with the Securities and Futures Commission (SFC) for relevant regulated activities can participate in Cross-boundary WMC. Twenty-four eligible Hong Kong banks have commenced relevant businesses with their respective Mainland partner banks.

Regarding funds, according to the statistics as of end-October 2023 published by the People's Bank of China, 62 900 individual investors in the GBA participated in Cross-boundary WMC, including 44 600 from Hong Kong and Macao and 18 300 from the Mainland, recording a total of more than 35 000 cross-boundary fund remittances (covering Hong Kong and Macao) amounting to over RMB8.65 billion. The aggregate quota usage under the Southbound Scheme and Northbound Scheme (covering Hong Kong and Macao) was over RMB2.33 billion and RMB250 million respectively (calculated on a net cross-boundary remittance basis). Since the resumption of normal travel between the Mainland, Hong Kong and Macao, the Southbound business has seen significant growth. In the first 10 months of 2023, the number of new individual investors participating in Cross-boundary WMC exceeded 6 400, representing an increase of 70 per cent over the same period last year. Cross-boundary fund remittances amounted to over RMB6.2 billion, having increased more than fivefold over the same period last year.

Regarding investment products, Northbound eligible products include low- to medium-risk public securities investment funds and fixed income and public equity wealth management products issued by Mainland wealth management companies (excluding cash management-based wealth management products). Southbound eligible products include deposits, bonds and funds domiciled in Hong Kong and authorised by the SFC which are rated as low- to medium-risk

and non-complex by Hong Kong banks. As of end-October 2023, Mainland investment products held by Hong Kong and Macao investors under Cross-boundary WMC stood at around RMB227 million, including wealth management products at around RMB152 million and funds at around RMB75 million. Investment products of Hong Kong and Macao held by Mainland investors under Cross-boundary WMC stood at around RMB2.351 billion, including funds at around RMB28 million, bonds at around RMB6 million and deposits at around RMB2.317 billion.

The financial regulatory authorities of the Mainland, Hong Kong and Macao jointly announced in late-September this year that they would enhance Cross-boundary WMC along five directions, including refining the eligibility criteria of investors to support more GBA residents to participate in the scheme, extending the scope of participating institutions to include eligible securities firms, expanding the scope of eligible investment products, increasing the individual investor quota as appropriate, and further enhancing the promotion and sales arrangements.

For extending the scope of participating institutions to include eligible securities firms, the SFC is considering the criteria for licensed corporations to participate in the pilot scheme, including their licence requirements, capital size, experience and transaction volume of selling investment products (bonds and funds), internal systems and supervision arrangements, etc.

We believe that the enhancement measures will further enrich the investment options of GBA residents and promote mutual access of the financial markets of the three places conducive to the industry's exploration of business opportunities in the GBA, further realising the potential of Cross-boundary WMC while enhancing Hong Kong's position as an international asset management centre. The regulatory authorities of the three places are refining the implementation arrangements and operational guidance with a view to announcing relevant details and launching the measures as soon as practicable.

Thank you, President.