

LCQ7: Cross-boundary Wealth Management Connect Scheme in Guangdong-Hong Kong-Macao Greater Bay Area

Following is a question by the Hon Robert Lee and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (April 27):

Question:

The Financial Secretary indicated in the Budget delivered on February 23 this year that the Government was exploring with the regulatory authorities of the Mainland on measures to enhance the Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area (Wealth Management Connect). In this connection, will the Government inform this Council:

(1) given that at present, only banking institutions may participate in Wealth Management Connect to provide cross-boundary wealth management services to investors, whether the Government has discussed with the regulatory authorities on the Mainland the inclusion of non-banking institutions (e.g. securities brokers, fund houses and licensed corporations) as institutions which may participate in Wealth Management Connect; if so, of the progress of the relevant work and implementation timetable; if not, the reasons for that;

(2) whether it knows the current situation of the cross-boundary wealth management businesses of those banking institutions participating in Wealth Management Connect, including the amount of cross-boundary remittances per day, the major wealth management products for sale and the number of clients participating in Wealth Management Connect (set out by banks); whether it has assessed if Wealth Management Connect has achieved the effects desired by the Government since its launch; if the desired effects have not been achieved, of the unsatisfactory aspects; and

(3) given that at present, a Hong Kong investor participating in the Northbound Scheme needs to hold a Wealth Management Connect investment account with a Mainland bank, otherwise he or she must go to the Mainland to open such an account in person, but normal traveller clearance between Hong Kong and the Mainland has not yet resumed amid the epidemic, whether the Government will introduce an arrangement of "account opening by attestation", so that investors can open the accounts in Hong Kong; if so, of the timetable?

Reply:

President,

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

Cross-boundary Wealth Management Connect (WMC) in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) was formally launched on September 10 last year, enabling residents in Hong Kong, Macao and nine cities in Guangdong Province to carry out cross-boundary investment in wealth management products distributed by banks in the GBA. The regulators of the three places promulgated the implementation details of WMC on the same day and banks commenced business on October 19.

WMC is the first Connect scheme specifically designed for individual investors and provides GBA residents with a formal, direct and convenient channel for cross-boundary investment in diversified 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. On top of promoting the organic growth of our local wealth management market, WMC also brings enormous business opportunities to the entire financial industry value chain in Hong Kong, encompassing product development, product distribution, asset management and related professional and support services, promoting the sustainable development of the local financial industry.

Currently, 24 eligible Hong Kong banks have begun to offer WMC services together with their respective Mainland partner banks. As of February 28, 2022, over 24 000 individual investors participated in WMC and over 7 000 remittances (including Hong Kong and Macao) had been recorded. Cross-boundary fund remittances (including Hong Kong and Macao) totalled over RMB 670 million. According to the People's Bank of China, as of February 28, 2022, Mainland investment products held by Hong Kong and Macao investors under WMC stood at around RMB 204 million, including RMB 172 million in wealth management products and RMB 32 million in funds. Offshore investment products held by Mainland investors under WMC stood at around RMB 118 million, including RMB 16 million in funds and RMB 102 million in deposits. As of February 28, 2022, the aggregate quota usage under the Southbound Scheme and Northbound Scheme was over RMB 120 million and over RMB 230 million respectively (including Hong Kong and Macao and calculated on a net cross-boundary remittance basis).

WMC involves three different regulatory systems and requires close collaboration among the relevant regulators in the three places to find common ground and policy space within their respective regulatory regimes and existing practices.

According to current arrangements, Hong Kong residents can open WMC investment accounts in Hong Kong through a pilot bank that offers GBA account opening attestation service. Besides, Hong Kong residents who have already opened Renminbi (RMB) accounts with investment functions (i.e. Type I and Type II) in Mainland banks can designate those accounts as investment accounts under the Northbound Scheme without the need to travel to the Mainland in person for opening new accounts.

The financial regulators of Hong Kong are continuing the close liaison with the relevant Mainland authorities to explore gradual expansion of the account opening attestation service on the basis of the existing pilot scheme in order to facilitate the opening of RMB accounts in the Mainland by Hong Kong residents. In light of actual operational experience and market feedback, we are exploring other measures to enhance WMC in an incremental manner, such as allowing more participating financial institutions and improving sales arrangements, etc. Timely announcement on detailed arrangements will be made once the initiatives are ready for implementation.