

LCQ9: Cross-boundary Wealth Management Connect Scheme in Guangdong-Hong Kong-Macao Greater Bay Area

Following is a question by the Hon Yim Kong and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (November 22):

Question:

The Cross-boundary Wealth Management Connect Scheme (Cross-boundary WMC) in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) was officially launched in September 2021 to provide GBA residents with a formal, direct and convenient channel for cross-boundary investment in diversified wealth management products. Under Cross-boundary WMC, there is an aggregate quota of Renminbi (RMB)150 billion in each direction for the Southbound Scheme and Northbound Scheme. However, there are views that the development of related business has fallen short of expectations due to the restrictions on the eligibility of wealth management products, investors and service providers. As at the end of August this year, the amount of cross-boundary fund remittances (including Hong Kong and Macao) under Cross-boundary WMC was RMB6.31 billion, the quota usage of which was far from the aggregate quota under the Southbound and Northbound Schemes (i.e. RMB300 billion). In this connection, will the Government inform this Council:

(1) whether it has assessed the effectiveness of Cross-boundary WMC, the problems encountered and the challenges faced since its launch; if so, of the details and main conclusions;

(2) as the financial regulatory authorities of the Mainland, Hong Kong and Macao announced on September 28 this year that Cross-boundary WMC will be further enhanced (including expanding the scopes of participating institutions and eligible investment products, as well as refining the eligibility criteria of investors), of the relevant details and timetable; and

(3) whether it will consider exploring with the Mainland authorities the extension of Cross-boundary WMC to other Mainland cities once its operation has matured?

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 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.

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

(1) Cross-boundary WMC creates new business opportunities for the local wealth management industry and benefits the entire financial industry value chain in Hong Kong. It incentivises international financial institutions to allocate resources to Hong Kong for product development, product distribution, asset management and other businesses to provide services for investors in the Mainland cities in the GBA. 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.

Cross-boundary WMC has seen steady development since its launch. Currently, 24 eligible Hong Kong banks have commenced Cross-boundary WMC services with their respective Mainland partner banks. According to the statistics as of end-September 2023 published by the People's Bank of China, over 60 000 individual investors in the GBA (including Hong Kong and Macao) participated in Cross-boundary WMC, recording a total of more than 32 000 cross-boundary fund remittances (covering Hong Kong and Macao) amounting to over RMB7.37 billion. Mainland investment products held by Hong Kong and Macao investors under Cross-boundary WMC stood at around RMB224 million, including wealth management products at around RMB150 million and funds at around RMB74 million. Investment products of Hong Kong and Macao held by Mainland investors under Cross-boundary WMC stood at around RMB1.88 billion, including funds at around RMB26 million, bonds at around RMB7 million and deposits at around RMB1.847 billion. As of end-October 2023, 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).

Cross-boundary WMC was launched during the pandemic when the travel restrictions had considerably affected the readiness and convenience of cross-boundary investments. Besides, since it was the first time for many investors to participate in cross-boundary investments, it took time for them to understand the new investment channel, relevant products and the macro environment. In view of this, the Hong Kong Monetary Authority and the Securities and Futures Commission in co-ordination with the industry have enhanced investor education efforts, so as to foster investors' confidence and user experience in making investment through Cross-boundary WMC.

(2) & (3) 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. The regulatory authorities are refining the implementation arrangements and operational guidance with a view to launching the measures as soon as practicable.

As an innovative financial co-operation measure in the GBA involving three different regulatory systems, Cross-boundary WMC has been implemented in the nine Mainland cities 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. We in co-ordination with the relevant regulators will, taking account of market development and the operation of Cross-boundary WMC, examine whether the pilot scope should be expanded as appropriate.