

Press Release

LCQ20: Financial co-operation between Guangdong and Hong Kong

Wednesday, March 18, 2015

Following is a question by the Hon Ng Leung-sing and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (March 18):

Question:

It has been reported that the Governments of Guangdong and Hong Kong have proposed co-operation in the realm of finance for years, but no breakthrough has been made in implementing the various proposals. On the other hand, the Central People's Government announced in December last year the establishment of the China (Guangdong) Pilot Free Trade Zone (Guangdong FTZ), to build an important platform for Guangdong-Hong Kong co-operation. In this connection, will the Government inform this Council:

(1) of the work progress made by the Governments of Guangdong and Hong Kong in promoting co-operation in the realm of finance in recent years, and whether they have encountered difficulties in the process; if they have, of the specific details; and

(2) in view of the establishment of the Guangdong FTZ, what ideas and measures the authorities have to enhance co-operation in the realm of finance between Guangdong and Hong Kong?

Reply:

President,

My reply to the Hon Ng Leung-sing's question is as follows:

(1) In pursuance of the macro objectives set out in the National 12th Five Year Plan and the Framework Agreement on Hong Kong/Guangdong Co-operation, the financial services departments and financial regulators of Hong Kong and Guangdong have been actively forging financial co-operation between the two places for mutual benefits through platforms such as the Mainland and Hong

Kong Closer Economic Partnership Arrangement (CEPA), the Hong Kong/Guangdong Co-operation Joint Conference and the Expert Group on Hong Kong-Guangdong Financial Co-operation.

Considerable progress has been made on the financial co-operation between Hong Kong and Guangdong. On Renminbi (RMB) business, cross-border RMB business between the two places continues to grow. In 2014, RMB trade settlement conducted through Hong Kong banks reached RMB 6,300 billion, of which about 20 per cent was RMB trade settlement between Hong Kong and Guangdong. The cross-border RMB lending scheme in Qianhai, launched in early 2013, has enabled cross-border RMB business between Hong Kong and Guangdong to expand further. As at end-December 2014, cross-border RMB loans registered under the scheme in Qianhai for record exceeded RMB 80 billion.

Measures opening up the Mainland market to Hong Kong's financial services industry are usually implemented in Guangdong Province on an early and pilot basis. For example, Supplement VI to CEPA allowed branches established by a Hong Kong bank in Guangdong Province to set up cross-location sub-branches within Guangdong Province. As at the end of 2014, six Hong Kong banks had set up a total of 61 cross-location sub-branches in Guangdong Province. The first Mainland and Hong Kong equity joint venture securities investment advisory company was also established in Guangdong Province under Supplement VI to CEPA on an early and pilot basis. Supplement X to CEPA brought about further relaxation whereby Hong Kong-funded financial institutions were allowed to establish full-licence securities companies with Mainland companies in the form of equity joint venture in Guangdong Province and Shenzhen Municipality. All these demonstrated the close financial co-operation between Hong Kong and Guangdong. As for the insurance sector, Supplement VIII to CEPA allowed qualified Hong Kong insurance brokerage companies to set up wholly-owned insurance agency companies in Guangdong Province on a pilot basis. The Agreement between the Mainland and Hong Kong on Achieving Basic Liberalisation of Trade in Services in Guangdong (the Guangdong Agreement), implemented on March 1 this year, further streamlined the procedures for establishing insurance agency companies in Guangdong Province by Hong Kong insurance brokerage companies. It also encouraged Guangdong insurance companies to place their outward reinsurance with Hong Kong insurance

companies with RMB as the settlement currency for better risk management. The Guangdong Agreement also allowed eligible Hong Kong residents who have obtained the Chinese Certified Public Accountants qualification to become partners of partnership accounting firms in Guangdong Province. Building on the existing foundation, we will continue to maintain close liaison with the Guangdong Provincial Government to secure further opening up of the Guangdong market to Hong Kong's financial services industry, with a view to achieving full liberalisation of trade in services between the two places.

Support and collaboration from the financial services industries in Hong Kong and Guangdong are also vital to promoting financial co-operation between the two places. Underpinned by both sides of the government, the financial services industries of the two places successfully held the first financial forum for the securities sectors in Guangzhou in July 2013. Serving as a communication platform, the forum fostered exchanges and mutual understanding between the securities sectors of the two places and enhanced continued liaison and co-operation in the future. The forum took place in Hong Kong in February 2014 to further strengthen co-operation and communication between the securities sectors of Hong Kong and Guangdong.

(2) The 20th Working Meeting of the Hong Kong/Guangdong Co-operation Joint Conference was held in Guangzhou on March 11, 2015. The two sides worked together to formulate the 2015 Work Plan, which covered financial services areas including RMB business, banking, insurance and securities. Both sides agreed to capitalise on the opportunities arising from the introduction of Shenzhen-Hong Kong Stock Connect to deepen the co-operation of the securities markets in the coming year. In addition to making continued efforts to lower the entry thresholds for Hong Kong financial institutions, both sides will seek to extend the cross-border RMB lending policy currently applied in Qianhai to cover Nansha and Hengqin, with a view to promoting the circulation and use of RMB funds in the Hong Kong offshore market and facilitating the development of real economy in key regions of Guangdong.

The establishment of Guangdong Free Trade Zone will bring new opportunities for financial co-operation between Hong Kong and Guangdong. We will continue to liaise with the Guangdong Provincial Government to further enhance financial co-operation between the two sides on the principle of mutual benefits, with a view to seeking more co-operation and development

opportunities for the financial services industry of both sides.

Ends