

## *Banking and Other Financial Services – 2007 Liberalization Measures*

### **1. What are the new measures included in the CEPA arrangements? Are there any specific details?**

In order to further strengthen financial cooperation between the Mainland and Hong Kong, the following measures have been added under the CEPA arrangements:

- (a) For a Hong Kong bank acquiring a shareholding in a Mainland bank, the total asset requirement at the end of the year preceding the application is lowered from not less than US\$10 billion to not less than US\$6 billion.**

This will facilitate small and medium-sized banks in entering the Mainland's banking sector. It also means that, together with existing measures under CEPA I, Hong Kong banks entering the Mainland, whether in the form of acquiring a shareholding or setting up a branch or body corporate (which includes wholly-owned subsidiaries and joint venture banks), will now have a uniform asset requirement of not less than US\$6 billion;

- (b) Establish a fast track for applications from Hong Kong banks to set up branches in the central western and north eastern areas and in Guangdong province of the Mainland.**

Applications for setting up bank branches by Hong Kong banks in these areas will be given priority and be processed in a speedy manner, but the actual length of time required will depend on the complexity of each case. This would speed up access of Hong Kong banks on the Mainland and also facilitate financial development in the targeted areas;

- (c) Encourage Hong Kong banks to set up rural banks in rural areas on the Mainland.**

This would not only provide huge business potential for Hong Kong banks but also contribute to rural development;

- (d) Actively support Mainland banks in setting up subsidiary operations in Hong Kong.**

Hong Kong is an important international financial centre and hence this measure would enable Mainland banks to make use of Hong Kong as a platform to develop their international

business; and

- (e) **The criteria for Hong Kong banks to qualify for CEPA have been relaxed. A Hong Kong bank can now qualify as a “Hong Kong Service Supplier” (“HKSS”) under CEPA after it has operated as a branch for two years and as a locally incorporated entity for three years or more.**

This offers more flexibility than the existing requirement that a Hong Kong bank must be locally incorporated for five years or more to qualify.