

Securities and Futures Services (12)

1. What are the Mainland's commitments concerning the securities and futures sector under CEPA?

Please refer to the "Information Database on CEPA Service Sectors" of the website of Trade and Industry Department:

http://www.tid.gov.hk/english/cepa/tradeservices/sec_liberalization.html.

2. What is Mainland's commitment under CEPA Supplement concerning Hong Kong's securities and futures sector?

The Mainland has agreed to allow intermediaries, which are licensed with the Securities and Futures Commission (SFC) of Hong Kong and satisfy the requirements of the China Securities Regulatory Commission (CSRC), to set up joint venture futures brokerage companies in the Mainland. The proportion of Hong Kong shareholding shall not exceed 49% (including shareholding of related parties). The scope of business and capital requirements of joint venture futures brokerage companies are the same as that for Mainland enterprises.

3. Do the CEPA Supplement provisions apply to all SFC licensed intermediaries? Do these companies need to possess any futures licences or relevant experiences in the field? What other standards or qualifications are set for the intermediaries to meet? How is the shareholding of related parties defined? How is it calculated?

The CEPA Supplement provisions apply to intermediaries licensed by the SFC for Type 2 regulated activity (dealing in futures contracts). They must satisfy the definition of "Hong Kong service provider" under CEPA and should have been licensed for the same regulated activity for at least five years. For other details, please refer to the 《港澳服務提供者申請期貨經紀公司股東資格審核》(in Chinese only) issued by the CSRC. The document is on the CSRC's website: (<http://www.csrc.gov.cn>).

4. What are the implementation details and time schedule concerning the commitment to allow Hong Kong futures intermediaries to set up joint ventures in the Mainland?

Interested parties can apply to the CSRC in accordance with the procedures specified in the regulation (in Chinese only) issued by the CSRC (accessible at <http://www.csrc.gov.cn>).

5. What are the current scope of business and capital requirement for Mainland futures intermediaries?

The current minimum capital requirement for Mainland futures intermediaries is RMB¥30 million. The scope of business includes futures brokerage services, consultancy, training-related business and other businesses approved by the CSRC.

6. How can CEPA Supplement benefit the securities and futures industry in Hong Kong?

We welcome Mainland's measure to allow intermediaries, which are licensed with the SFC of Hong Kong and satisfy the requirements of the CSRC, to set up joint venture futures brokerage companies in the Mainland. We understand that the Mainland futures market has a high potential for growth and the commitment under CEPA Supplement provides an edge for Hong Kong intermediaries to develop in the Mainland futures market.

7. What are the details and schedule of the implementation of the commitment under CEPA Supplement II to allow Mainland securities and futures companies to set up subsidiaries in Hong Kong?

Interested Mainland securities or futures brokerages can now apply to the CSRC for approval. They should contact the CSRC direct for the requirements. After obtaining the approval, their subsidiaries in Hong Kong can lodge their licence application to the SFC. The subsidiary will have to fulfil all the relevant requirements for a licence in Hong Kong.

8. What are the details of the implementation of the CEPA Supplement IV commitment to allow Mainland fund management companies to set up subsidiaries in Hong Kong?

Interested Mainland fund management companies should contact the CSRC direct for the approval requirements. The relevant subsidiaries should apply for a licence from SFC and fulfil all the relevant requirements before carrying on any regulated activities in Hong Kong.

9. How would extending the timeframe for Mainland securities companies to complete registration in Hong Kong facilitate the development of our financial services industry?

According to previous requirements imposed by the CSRC, Mainland securities companies wishing to establish subsidiaries in Hong Kong would need to complete registration in Hong Kong within six months after approval is obtained. Extension of the timeframe to one year would allow these companies more time for preparation as in practice they would need time to complete other procedures (such as application for SFC licence and rental of office space) before commencing operation. The new arrangements would facilitate more Mainland securities companies to establish their businesses in Hong Kong, which in turn facilitate the further development of our securities industry and help to bring more employment opportunities.

10. How will Mainland's commitment under CEPA affect the Hong Kong market?

Mainland securities and futures companies and fund management companies can now set up subsidiaries in Hong Kong under CEPA. This would facilitate the further development of our financial services industry and bring more business and employment opportunities.

11. What is Mainland's commitment under CEPA Supplement VI concerning Hong Kong's securities and futures sector?

CEPA Supplement VI allows Hong Kong securities companies, which satisfy the qualification requirements as foreign shareholders of foreign-invested securities companies, and Mainland securities companies, which satisfy the requirements for establishing subsidiaries, to set up in Guangdong Province joint venture securities investment advisory companies. The joint venture securities investment advisory company shall be a subsidiary of the Mainland securities company, the scope of business of which shall focus specifically on carrying on securities investment advisory businesses. The percentage of shareholding of the Hong Kong securities company could, at a maximum, reach 1/3 of the total shareholding of such joint venture securities investment advisory company. Interested securities companies can apply to the CSRC in accordance with the procedures specified in 《證券公司設立合資證券投資諮詢公司審批》 (in Chinese only) issued by the CSRC (available at

<http://www.csrc.gov.cn>).

12. What is Mainland's commitment under CEPA Supplement VI and VII concerning deepening the co-operation between Mainland and Hong Kong in financial services?

Under CEPA Supplement VI, the two sides will actively explore the introduction in the Mainland the ETF (open-end index-tracking exchange-traded fund) with portfolios constituted by Hong Kong listed stock, in the Mainland. Under CEPA Supplement VII, it is agreed that the two sides will deepen the cooperation in financial services and product development and the ETF, the portfolios of which are constituted by Hong Kong listed stocks, will be launched in the Mainland at an appropriate time.

FAQs provided by the Securities and Futures Commission of Hong Kong (PDF Format) are accessible at:

<http://www.sfc.hk/sfc/html/EN/faqs/licensing/topical-faq.html>.