

*Securities and Futures Services (8) - General FAQs and FAQs in relation to CEPA and its Supplements (up to 2006 Liberalization Measures)*

**1. What is Mainland's commitment under CEPA III concerning the securities and futures sector?**

Mainland's commitment under CEPA III is to allow its qualified securities and futures companies to set up subsidiaries in Hong Kong.

**2. How will Mainland's commitment affect the Hong Kong market?**

We welcome the initiative of the Mainland to allow its securities and futures companies to set up subsidiaries in Hong Kong. The move will help broaden the intermediary base of Hong Kong and bring more business opportunities to both Mainland and Hong Kong.

**3. What are the details and schedule of the implementation of the commitment 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 the necessary approval. They should contact the CSRC directly 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 and the application for licence will be subject to the same vigorous assessment by the SFC as in any other application for licence in Hong Kong.

**4. What is Mainland's commitment under CEPA II 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 same as that for Mainland enterprises. We welcome the offer and believe that it will provide an edge for qualified Hong Kong intermediaries to develop in the Mainland futures market.

- 5. Do the CEPA II provisions apply to all intermediaries registered with the SFC included? 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 II 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 website: ([www.csrc.gov.cn](http://www.csrc.gov.cn)).

- 6. 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 [www.csrc.gov.cn](http://www.csrc.gov.cn)).

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

The current minimum capital requirement for Mainland futures intermediaries is RMB30 million. The scope of business includes futures brokerage services, consultancy, training-related business and other businesses approved by the CSRC.

- 8. How can CEPA II 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 II provides an edge for Hong Kong intermediaries to develop in the Mainland futures market. We encourage the industry to fully grasp the opportunities of CEPA and create a win-win situation with the Mainland counterparts.

**NB 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>