

**Mainland and Hong Kong
Closer Economic Partnership Arrangement (CEPA)**

Frequently Asked Questions

Securities and Futures Services

- 1. What are the implementation details of the liberalisation measure under CEPA which allows Mainland securities and futures companies to set up subsidiaries in Hong Kong?**

Interested Mainland securities and futures companies should contact the [China Securities Regulatory Commission](#) (CSRC) direct for the approval requirements. The relevant subsidiaries should apply for a licence from the Hong Kong Securities and Futures Commission (SFC) and fulfil all relevant requirements before carrying on any regulated activities in Hong Kong.

- 2. What are the implementation details of the liberalisation measure under CEPA which allows 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 the SFC and fulfil all relevant requirements before carrying on any regulated activities in Hong Kong.

- 3. 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 seeking 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 before commencing operation.

4. What are the details regarding setting up a joint venture securities investment advisory company in the Mainland?

CEPA allows Hong Kong securities companies satisfying the qualification requirements as foreign shareholders of foreign-invested securities companies and Mainland securities companies satisfying the requirements for establishing subsidiaries to set up equity joint venture securities investment advisory companies in the Mainland. The equity joint venture securities investment advisory company shall be a subsidiary of the Mainland securities company. The scope of its business 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 49% of the total shareholding of such joint venture securities investment advisory company.

CEPA allows Hong Kong-funded securities company to hold more than 50% shareholding in joint venture securities investment advisory companies in certain reform experiment zones for “piloting financial reforms” as approved by the Mainland.

Securities companies interested in setting up joint venture securities investment advisory companies in the Mainland may approach the CSRC direct for the approval requirements.

5. What are the details regarding setting up a securities company in the Mainland?

From 1 April 2020, the Mainland has removed the restriction that the percentage of foreign investment for securities companies should not exceed 51%.

The overseas shareholders of a securities company shall comply with the Mainland’s qualification requirements for overseas shareholders of foreign-invested securities companies.

Financial institutions interested in setting up securities companies in the Mainland may approach the CSRC direct for the approval requirements.

6. What liberalisation measures does the Second Agreement Concerning Amendment to CEPA Agreement on Trade in Services (the Amendment Agreement II) have for the securities sector in Hong Kong?

The Amendment Agreement II seeks to consider extending the scope of eligible products under the mutual market access programme by including REITs (i.e. Real Estate Investment Trusts); to continuously promote and enhance the Cross-boundary Wealth Management Connect Pilot Scheme and the Mainland-Hong Kong Mutual Recognition of Funds scheme; and to continuously promote the cross listing arrangement of the Mainland and Hong Kong ETF (i.e. open-ended index-tracking exchange-traded funds) as well as enhance Southbound Trading and Northbound Trading under Bond Connect. These measures will further promote the concerted development of the capital markets in the Mainland and Hong Kong, and reinforce Hong Kong's status as an international financial centre and offshore Renminbi business centre.