

Securities and Futures Services

- 1. Does CEPA apply to all SFC licensed intermediaries? Do these intermediaries need to possess any futures licences or relevant experiences in the field? What other standards or qualifications are set for the intermediaries to meet?**

CEPA applies 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. Intermediaries interested in setting up futures brokerage companies in the Mainland may approach CSRC directly for detailed requirements.

- 2. 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 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.

- 3. 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 SFC and fulfil all the relevant requirements before carrying on any regulated activities in Hong Kong.

- 4. 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 before commencing operation. The 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.

5. 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.

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

From 1 April 2020, the Mainland has removed the restriction on the percentage of foreign investment for securities companies, which 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.

7. What is the “participation in one and holding of one principle”?

According to the Guangdong Agreement, the “participation in one and holding of one principle” is applicable, in line with the national treatment, to the number of Mainland-Hong Kong joint venture fund

companies that are allowed to be invested in through shareholding acquisition. In other words, the number of Mainland-Hong Kong joint venture fund management companies that can be invested in through shareholding acquisition by the same Hong Kong-funded financial institution or by various Hong Kong-funded financial institutions which are effectively controlled by the same entity shall not be more than two, among which the number of holding companies shall not be more than one.

8. What liberalisation measures does the Agreement on Trade in Services have for the securities sector in Hong Kong?

According to the Agreement on Trade in Services, the “participation in one and holding of one” principle is applicable to the number of Mainland-Hong Kong joint venture securities/securities investment advisory/futures companies that are allowed to be invested in through shareholding acquisition by Hong Kong-funded financial institutions.

For definition of the “participation in one and holding of one” principle, please refer to Q7.

Furthermore, the Agreement on Trade in Services also seeks to explore ways to promote the issuance of Renminbi bonds on the Mainland stock exchanges by qualified Hong Kong companies.