

# LCQ15: Promoting development of the fund industry

Following is a question by the Hon Robert Lee and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (February 12):

Question:

There are views that the Government should actively take forward a more comprehensive support policy to promote the development of the fund industry as a whole on all fronts. In this connection, will the Government inform this Council:

(1) whether it has compiled statistics on the respective shares of capital allocations from Hong Kong's offshore Renminbi (RMB) (liquidity pool to mutual funds, deposits, stocks, bonds and other investment vehicles, together with a breakdown by holders of such capital, i.e. retail investors, institutional investors, and enterprises; given that the Government is actively promoting the internationalisation of RMB, what measures it has in place to guide more offshore RMB capital to invest in various fund products, so as to promote the development of related businesses;

(2) whether it has compiled statistics on the respective shares of Mainland capital investments in Hong Kong funds and bank deposits under the constant enhancement of the Cross-boundary Wealth Management Connect (WMC) Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area, and in which types of funds the investments are mainly made; of the Government's plans in place to discuss with the Mainland regulatory authorities about further expansion of the scope of fund products under WMC, as well as all-round coverage of cross-border fund sales and promotional activities;

(3) whether the Government will step up negotiations with the Mainland regulatory authorities to further increase the number of funds and product types under the mutual recognition of funds scheme; whether it knows if information on such recognised funds will be included in the Hong Kong Exchanges and Clearing Limited's Integrated Fund Platform to facilitate trading by investors; and

(4) of the respective proportions of the amounts invested in "financial assets" and "non-financial assets" by applicants of the New Capital Investment Entrant Scheme after its implementation, together with a breakdown by the classification of assets; whether the Government will publish the relevant statistics on a regular basis; if so, of the details; if not, the reasons for that?

Reply:

President,

Hong Kong is an international asset and wealth management centre, with assets under management exceeding HK\$31 trillion. The Government has been attracting more global capital to be managed in Hong Kong through a series of measures with the aim of propelling the all-rounded development of the fund industry. In consultation with Invest Hong Kong (InvestHK), the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission (SFC) and the Hong Kong Exchanges and Clearing Limited (HKEX), my reply to the various parts of the question is as follows:

(1) With the support of the Central People's Government, Hong Kong is a premier global offshore Renminbi (RMB) business hub which possesses the world's largest offshore pool of RMB funds, and operates the largest foreign exchange and interest rate derivatives market. Hong Kong also provides a diversified range of RMB products and services, with a leading position in RMB settlement, financing and asset management.

The Government has been promoting the development of the offshore RMB business in Hong Kong, and has been actively deepening the mutual access between the Mainland and Hong Kong financial markets, so as to assist the high-level opening up of our country's capital market. The China Securities Regulatory Commission (CSRC) announced in April 2024 a series of measures to promote the expansion of the mutual access between the financial markets of the Mainland and Hong Kong. These measures include expanding the eligible product scope of equity exchange-traded funds (ETFs) under Stock Connect and including real estate investment trusts (REITs) under Stock Connect, which would support the Hong Kong financial market by increasing the availability of attractive investment products, providing more investment opportunities for domestic and international investors, and consolidating Hong Kong's position as an offshore RMB business hub.

In addition, the HKMA and the People's Bank of China (PBoC) announced on January 13 this year new measures to further strengthen Hong Kong's position as a global offshore RMB business hub. Relevant measures include the introduction of the HKMA RMB Trade Financing Liquidity Facility, further enhancement and expansion of Bond Connect (Southbound), development of offshore RMB repurchase business using Northbound Bond Connect bonds as collateral, inclusion of Northbound Bond Connect bonds as eligible margin collateral at OTC Clearing Hong Kong Limited, promoting cross-boundary payment facilitation and financial facilitation in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). We will press ahead with the development of an offshore RMB ecosystem to promote the internationalisation of the RMB in a steady and prudent manner.

In terms of financial products, besides RMB foreign exchange trading products, the offshore RMB investment products and services offered in Hong Kong also include RMB-denominated stocks, ETF, REIT, futures contracts for precious metals, and other diversified financial products. However, the Government does not maintain data on the allocation of funds within the offshore RMB pool to various investment products.

(2) Cross-boundary Wealth Management Connect (WMC) has seen continuous and steady development since its launch in September 2021. "WMC 2.0" commenced on February 26, 2024, with enhancement measures including increasing the individual investor quota from RMB1 million to RMB3 million, lowering the threshold for participating in the Southbound Scheme to support more GBA residents to participate in the scheme, expanding the scope of participating institutions to include eligible securities firms, expanding the scope of eligible investment products, and further enhancing the promotion and sales arrangements. According to the statistics published by the PBoC, up to end-2024, over 136 000 individual investors in the GBA participated in the WMC and cross-boundary fund remittances (including Guangdong, Hong Kong and Macao) amounting to over RMB99.4 billion had been recorded.

Currently, the scope of eligible products under the Southbound Scheme includes all "non-complex" funds domiciled in Hong Kong and authorised by the SFC that primarily invest in Greater China equity; low-risk to medium-high-risk "non-complex" funds domiciled in Hong Kong and authorised by the SFC (excluding high-yield bond funds and single emerging market equity funds); low-risk to medium-risk and non-complex bonds; and RMB, Hong Kong dollar and foreign currency deposits. The Government does not maintain data on the proportion of Mainland capital invested in these different products.

The Government and Hong Kong regulatory authorities will continue to maintain close communication with the industry and the Mainland regulatory authorities, and continuously review the implementation of "WMC 2.0" with a view to exploring further enhancement measures, including the product scope and sales arrangements.

(3) The Mainland-Hong Kong Mutual Recognition of Funds (MRF) arrangement (the "Arrangement") was launched in July 2015, where eligible Mainland and Hong Kong funds can be offered to retail investors in each other's market through a streamlined vetting process. As of end-2024, a total of 83 funds were authorised by the regulators of the two places, with aggregate net subscription amount of around RMB43.5 billion.

The Arrangement has been enhanced with effect from January 1, 2025. Enhancements include relaxing the sales restriction and allowing Hong Kong funds to delegate investment management functions to overseas asset management companies within the same group. The measures will significantly increase the diversity of fund products, enhance the scale of funds, and bring positive effect to the distribution of Hong Kong MRF funds in the Mainland. The SFC will maintain close co-operation with the CSRC to continuously explore and discuss enhancement measures, so as to fully leverage Hong Kong's distinct advantage and role as an international financial centre and a bridge for two-way capital flow to facilitate a higher level of two-way opening in the country's capital market.

On the other hand, the Integrated Fund Platform (the Platform) developed by HKEX will help lower the entry threshold of the fund industry, broaden Hong Kong's fund distribution network, and enhance market efficiency. The

first phase of the Platform (the Fund Repository) was launched in December 2024 to facilitate investors' access to information on fund investment options. Other services of the Platform will be rolled out gradually from this year with functionalities including fund subscription and redemption (including MRF funds), settlement, and nominee services.

(4) The New Capital Investment Entrant Scheme (New CIES) was open for application on March 1, 2024 to further enrich the talent pool and attract new capital to Hong Kong. An eligible applicant must make investment of a minimum of HK\$30 million in the permissible investment assets, including investing a minimum of HK\$27 million in permissible financial assets and/or real estate (subject to a cap of HK\$10 million), and placing HK\$3 million into a new Capital Investment Entrant Scheme Investment Portfolio (CIES Investment Portfolio).

As of end-2024, InvestHK has received over 800 applications, and approved 240 applications for Assessment for Investment Requirements. Except for the applicants' investment in Hong Kong under the New CIES, the Government does not maintain the data on the investments made by applicants in Hong Kong outside the New CIES. Excluding the sum for investing in the CIES Investment Portfolio, the approved investment distribution is as follows:

	Investment amount (HK\$ Million)
Eligible collective investment schemes	2,968
Equities	2,553
Debt securities	1,018
Real estate	10
Certificates of deposits	5
Total	6,554

The Government will continuously review the applicants' investment arrangement and room for enhancing the New CIES, including further enhancing the net asset assessment and calculation requirements and allowing applicants to hold assets through his/her wholly owned eligible private company with effect from March 1 this year, thereby attracting global asset owners to establish their presence in Hong Kong.