

The Guangdong-Hong Kong-Macao Greater Bay Area (GBA)

Financial Services and Fintech –
Opportunities in the GBA

April 2022

GBA Business Development

Invest**HK**

Hong Kong's Role in the Development of Financial Services in the GBA

- The **Outline Development Plan for the GBA in 2019** and the **National 14th Five-Year Plan in 2021** stated **Hong Kong's unique role as an international financial centre in the GBA** as
 - an international asset management centre
 - an international risk management centre
 - a leading global offshore RMB hub
- **In May 2020**, China's central bank (PBOC), CBIRC, CSRC and SAFE jointly issued their opinions in **GBA Circular No.95** to put forward 26 measures to
 - Promote cross-border trade and investment for the GBA
 - Boost innovation in the financial services in the GBA
 - Promotion GBA integration of financial markets and financial infrastructure
 - Continue the opening up of the financial services in the GBA

PBOC: People's Bank of China
CBIRC: China Banking and Insurance Regulatory Commission
CSRC: China Securities Regulatory Commission
SAFE: State Administration of Foreign Exchange

Growth Potential for Hong Kong as an International Asset Management Centre due to High Concentration of HNWI in the GBA

1.3 Mil HNWI in Mainland China, holding **US\$6.5tn** of HNWI wealth, in which **20%** of HNWI reside in the **GBA**

Source: : FSDC, KPMG

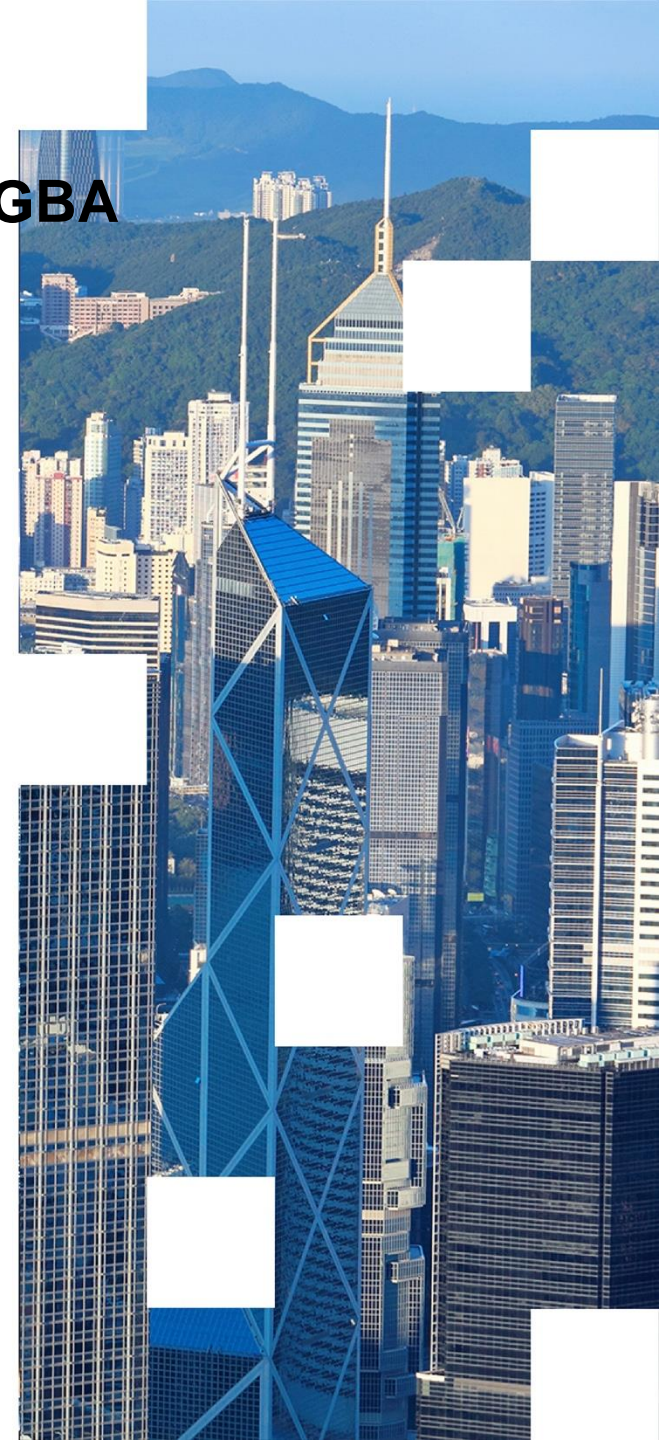
Mass affluent population in Mainland China has reached **53.3 million in 2020** (from 36.6M in 2016)

Source: GlobalData's Wealth Markets Analytics

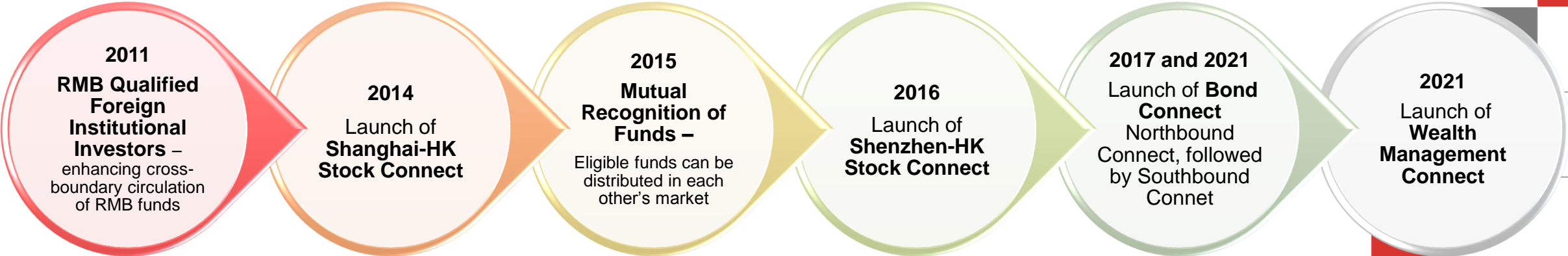
Forecast by HSBC:

(Mainland) Chinese household wealth will likely to rise about 8.5% every year over the next 5 years, with **investable assets reaching US\$46.3t by 2025**, and the no. of HNWI rising to 5 Mil and that of middle class rising to over 500 Mil.

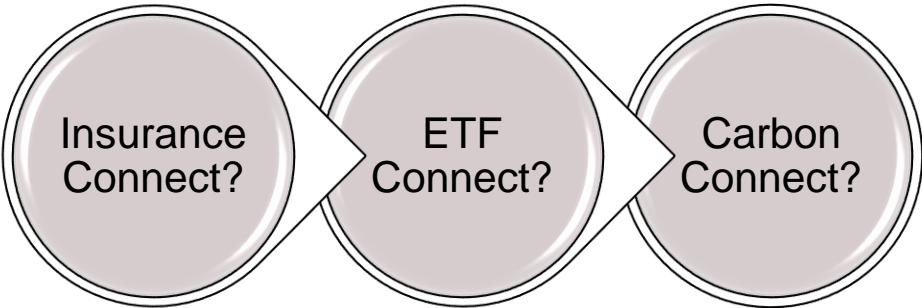
Source: Bloomberg



Increasing Connectivity of Financial Markets between Hong Kong and Mainland China





In discussions



Wealth Management Connect: Further Opening Up of Mainland's Capital Markets

Latest updates by PBOC: As of Dec 2021, over 20,000 residents and over 60 banks in GBA cities have participated in the Wealth Management Connect (WMC)

HKMA: WMC will create a much greater customer base, expanding the catchment area of HK's wealth management industry, thus providing greater incentives for global financial institutions to set up and expand their presence in HK to serve Mainland investors.

 Eligible investors	Northbound Scheme	Southbound Scheme
	Eligible Hong Kong residents who hold a Hong Kong Identity Card (including permanent and non-permanent residents)	Residents of the 9 Mainland cities in the GBA¹ who meet the requirements prescribed by the Mainland regulatory authorities, such as asset and investment experience requirements
Invest in their personal capacity		
 Eligible wealth management products	Low- to medium-risk products distributed by Mainland banks, including: The following products issued by Mainland wealth management companies: <ul style="list-style-type: none">- Public fixed income wealth management products (which primarily invest in bonds and deposits)- Public equity wealth management products (which primarily invest in equities) Public securities investment funds	Investment products distributed by Hong Kong banks, including: Low- to medium-risk and non-complex products: <ul style="list-style-type: none">- Funds domiciled in Hong Kong and authorised by the Securities and Futures Commission- Bonds Deposits offered by Hong Kong banks <ul style="list-style-type: none">- Renminbi, Hong Kong dollar and foreign currency deposits

A snapshot of Wealth Management Connect. Source: HKMA

Implications for Asset & Wealth Management Industry in HK with PBOC's GBA Circular No. 95

Wealth Management Connect (Article 9)



Fund manager and banks in HK will play a key role in developing more appropriate products for Mainland investors and vice versa, as well as in investor education

Facilitation of cross-border PE and VC investments through

Qualified Foreign Limited Partnership (QFLP), Qualified Domestic Limited Partnership (QDLP) (Article 15)



Boost PE and VC investments in HK and GBA cities, benefiting funds domiciled in HK

Encourage establishment of GBA investment funds to finance modern/innovative industries and large infrastructure projects (Article 20)



Role of HK as a fundraising platform in the GBA will be enhanced

Pilot scheme for banks in GBA to roll out multicurrency settlement account, support for remote account opening of Type 2 and 3 accounts in Mainland China (Article 8)



Facilitate cross-border transactions and more bank account opening in Mainland by HK & Macao residents



Hong Kong's Role to Develop Cross-Border Insurance in the GBA - Updates



- Provide post-sales services such as handling claims, changing policyholders' information and processing payment of premiums.
- Direct settlement of health claims at public hospitals available in Shenzhen



Unilateral recognition policy

- Its future introduction will allow third-party insurance coverage for Hong Kong vehicles entering Guangdong Province via the Hong Kong-Zhuhai-Macao Bridge



Issuance of insurance-linked securities (ILS)

- Inaugural catastrophe bond (US\$ 30m) was issued in HK in Oct 2021 by China Reinsurance (Group) to pay for claims from typhoon damage in the GBA and other parts of China



GBA Opportunities for HK Insurers as a Global Risk Management Centre

Retail

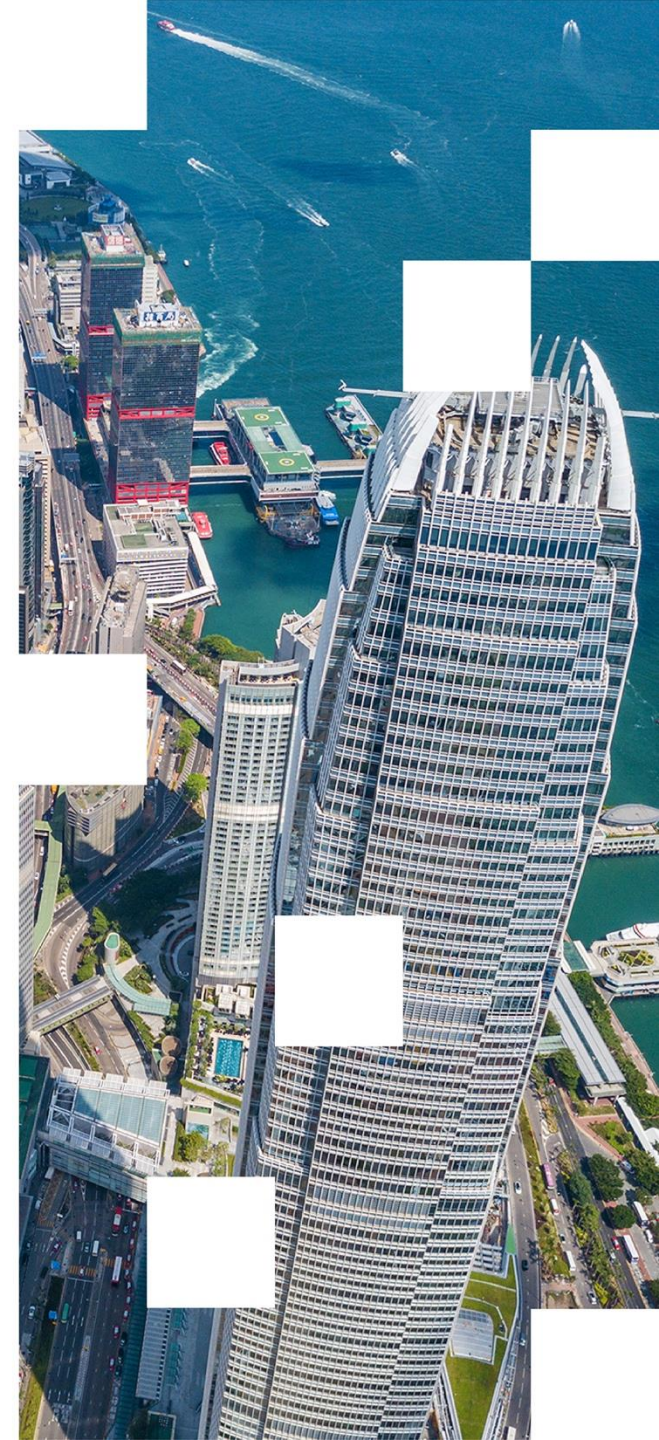
- Increasing demand for cross-border motor and medical insurance, relatively low penetration of insurance in GBA cities, and a rapid expanding middle-class in the region
- Article 19 of Circular 95 explicitly supports insurers in GBA to develop innovative cross-border motor and medical insurance

BRI

Central Gov't support for Hong Kong in providing insurance and reinsurance services for large infrastructure projects under the Belt and Road Initiatives. It also backs Mainland enterprises looking to set up captives in Hong Kong to enhance their corporate risk management systems.

ILS

Insurance-linked securities (ILS) can pave the way for HK to become a fundraising hub for Chinese and international companies to meet funding needs for natural disasters



How to Strengthen Hong Kong's Role as a Premier Offshore RMB Hub in the World

Hong Kong plays a pivotal role in RMB internationalisation, **handling over 75% of global offshore RMB payment** as of Feb 2022 and **owning the deepest offshore RMB capital pool** in the world. Its status as the world's largest offshore RMB hub will be enhanced by:

Increasing the breadth and depth of RMB bond issuers

- Continue to encourage PBOC, Ministry of Finance (MOF), other top-tier Chinese corporates and institutions to issue offshore RMB bonds (dim sum bond) and list them on the HKEX

Enriching offshore RMB products

- Continue to provide more offshore RMB-denominated products e.g. interest rate risk hedging tools and offshore RMB bond index ETF etc., to further encourage onshore investment of international capital by providing more risk-management investment options.

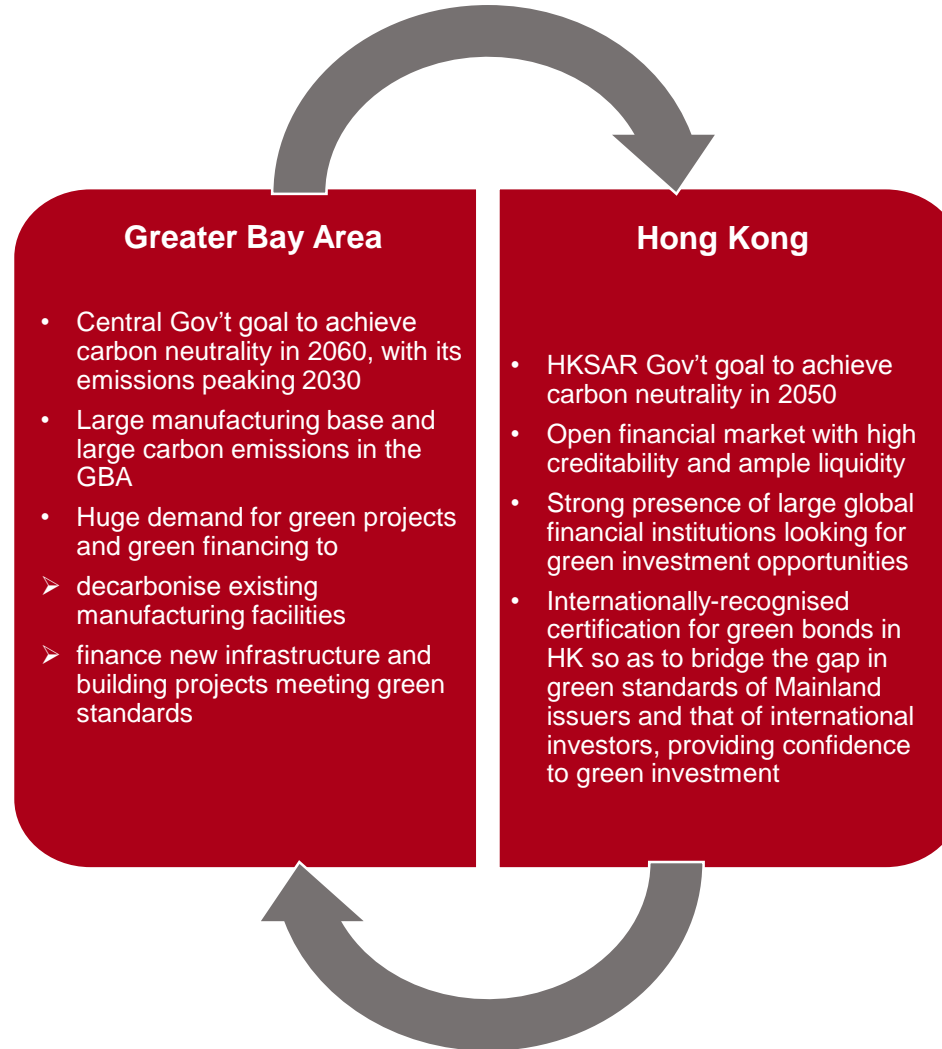
Providing RMB liquidity for Belt & Road Initiatives

- HK Dim Sum Bond market attractive for project finance to other Belt & Road countries, where their domestic bond markets are less developed.
- Mainland companies participating in BRI will need to conduct a series of cross-border financial activities like capital transfers, asset transactions and cross-border liquidity management etc., which will be supported by HK's professional services sector



Hong Kong as a Green Finance Hub in the GBA

- Hong Kong plays a unique role in cross-border green financing, with strong demand for green funding from Mainland China, and for foreign investment opportunities from international investors.
- Inaugural issuance of offshore RMB-denominated green bonds of RMB5b in Nov 2021 in Hong Kong, under the Government Green Bond Programme
- The Shenzhen Government issued offshore RMB green bonds of RMB3.9b in Oct 2021 – first time a Mainland municipal government has issued bonds outside the Mainland.

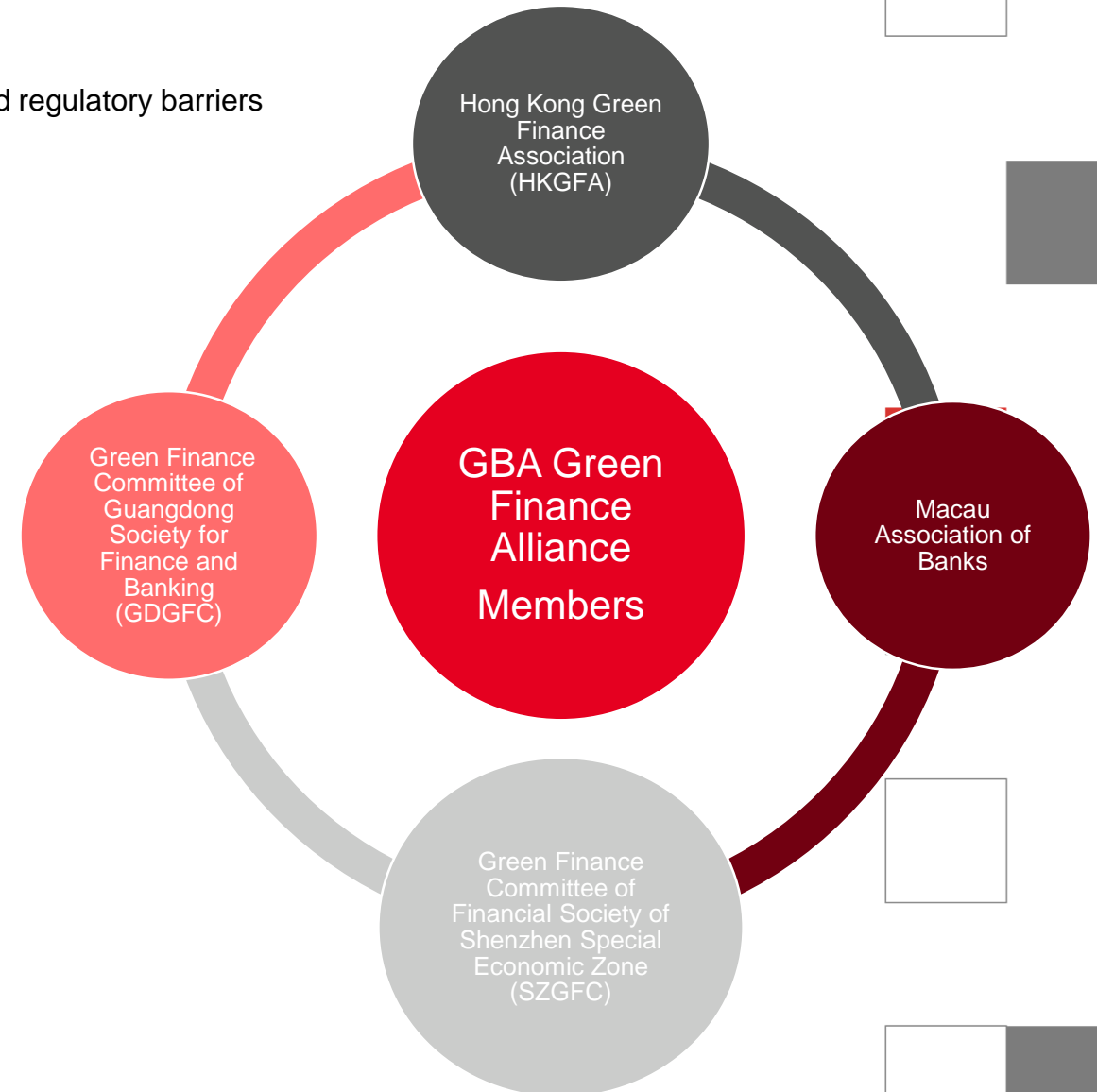
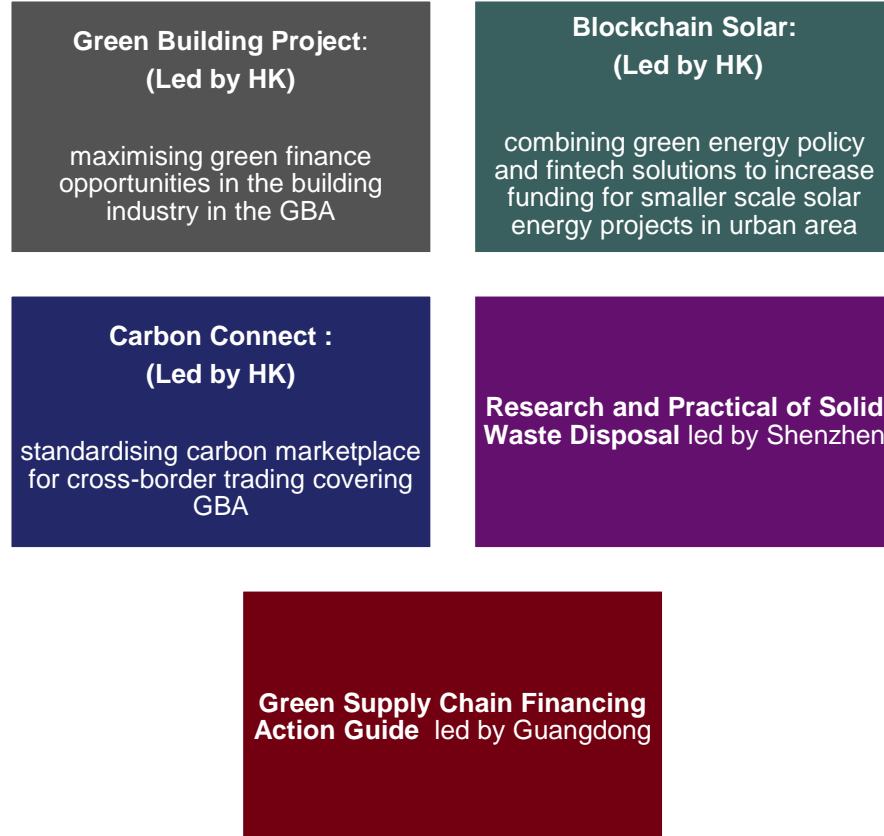


The Greater Bay Area Green Finance Alliance – Established in Sept. 2020

Objectives

- Incubate green projects to develop the GBA into a quality living area
- Bring in government support from different localities, reduce information and regulatory barriers
- Increase funding channels for green projects in the GBA

Five green finance-related projects supported by the Alliance



Opportunities for Fintech in Greater Bay Area (GBA)



POPULATION

86 mn

>UK, Italy,
South Africa



LAND AREA

56,000 km²

>Ireland, Latvia,
Panama,
West Virginia (US)



GDP

US\$1.6 tn

>Australia, Spain

Source: CBRE Research



A **fast growing market** for Fintech companies to **scale** their expertise and know-how.



A **platform for integration** Between the professional Financial knowledge and Software technologies.



A **gateway** for Mainland Fintech companies to go global and global companies to enter the Mainland market.



A **test market** for new products and services.

Financial Innovations (Fintech) in the GBA - Trends and Opportunities



Cross-border trade finance

- Connectivity between e-Trade Connect and PBOC's Trade Finance Platform
- B2B Fintech companies facilitating trade finance



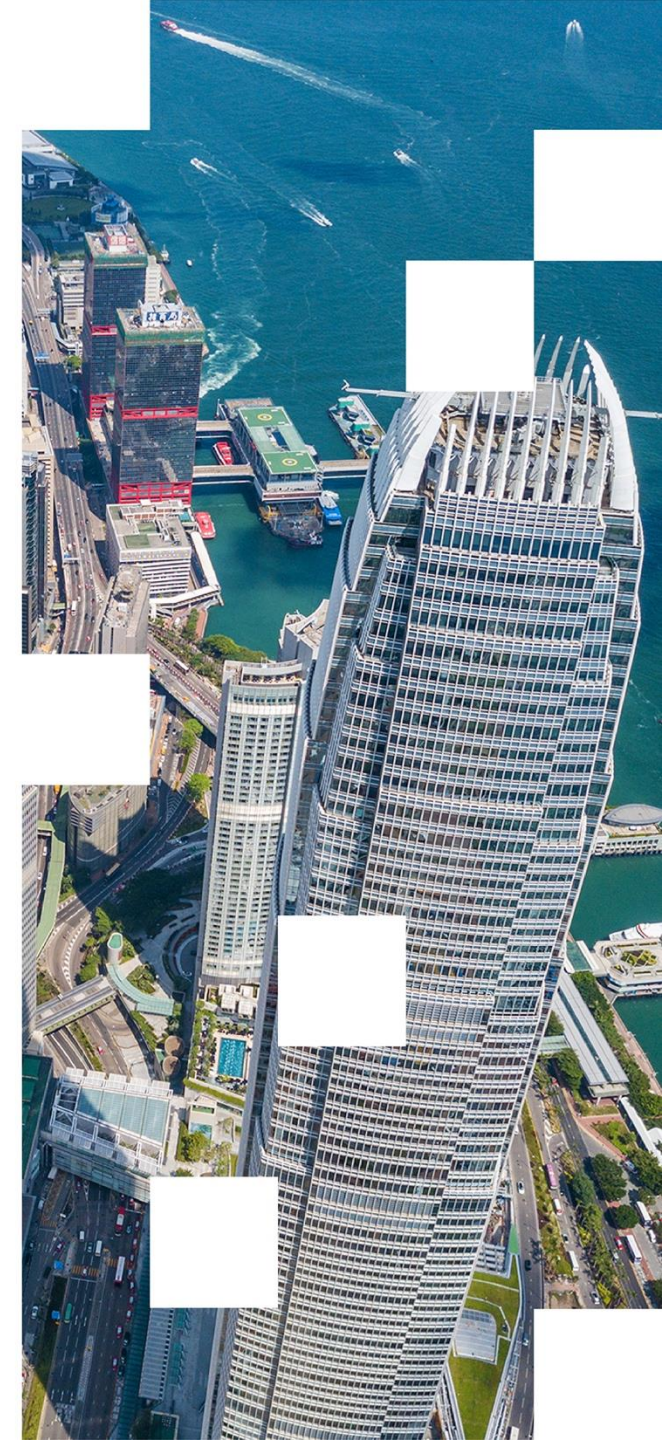
Cross-border payment

- E-CNY
- Fintech companies facilitating cross-border trade settlement



B2C fintech companies serving individual financial needs due to increasing flow of people, capital and data in the GBA

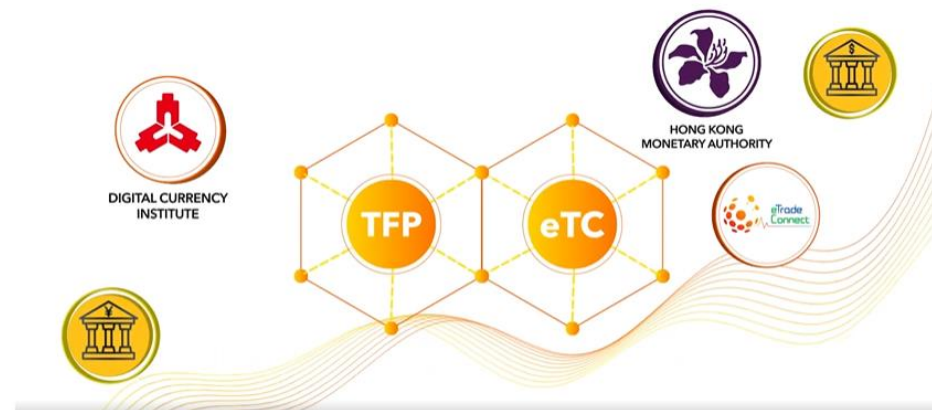
- Wealtech, Regtech, Insurtech



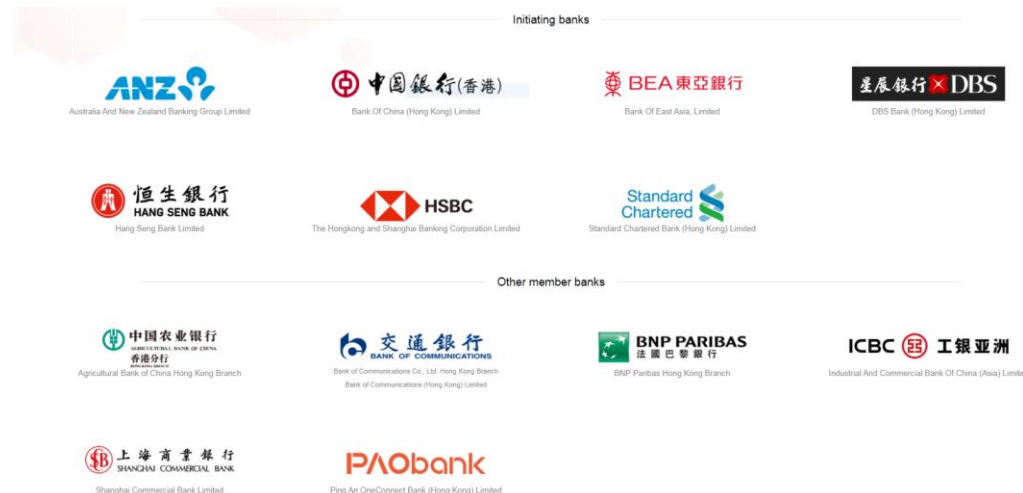
Connectivity between HK's eTradeConnect (eTC) and People Bank of China's Trade Finance Platform (TFP) to Uplift Cross Border Trade Financing

- Currently, Mainland China is the world's 2nd largest traders of goods/commercial services and more than 50% of HK's trade volume are related to Mainland
- TFP and eTC were both set up in 2018 in Mainland China and HK respectively to serve SMEs
- The connected platform will improve trading experience through a paperless trade cycle (digitalise PO and invoice issuances, payment requests etc.)
- Enhance mutual trust between buyers and sellers
- Facilitate trading parties to obtain trade finance
- Ultimate goal of transforming trade ecosystem in the GBA

Regulatory authorities involved in HK and Mainland China



Participating banks in Mainland China and HK



e-CNY – Mainland China's Central Bank Digital Currency (CBDC)



e-CNY and latest updates

- The e-CNY is positioned as M0, the central's bank liability to the public with a legal tender like cash, and **100% backed by reserves in PBOC**.
- In April 2020, Mainland China became the world's first major economy to pilot the digital currency, conducting pilot programmes in 10 major cities, as well as in Beijing Winter Olympics venues in Dec 2021.
- As of Dec 2021, e-CNY user base has amounted to 260m with transaction value amounted to US\$13.8b

Objectives of e-CNY:

- improving central bank payment system efficiency;
- complementing the current retail payment service;
- securing the access to the central bank money, while providing the payment market participants with a level playing field;
- safeguarding monetary sovereignty;
- reducing the cost for physical cash issuance and management;
- improving financial inclusion and privacy protection.

HKMA Actively Exploring Use of e-CNY in Hong Kong

Wholesale Level:

- In Feb 2021, the **Digital Currency Institute of the PBOC** has joined the **mBridge** project, an extensive research initiated by HKMA in 2017 to explore the applications of CBDCs in Hong Kong, cross-border transactions and FX settlements, alongside with Bank of Thailand and the central bank of UAE.

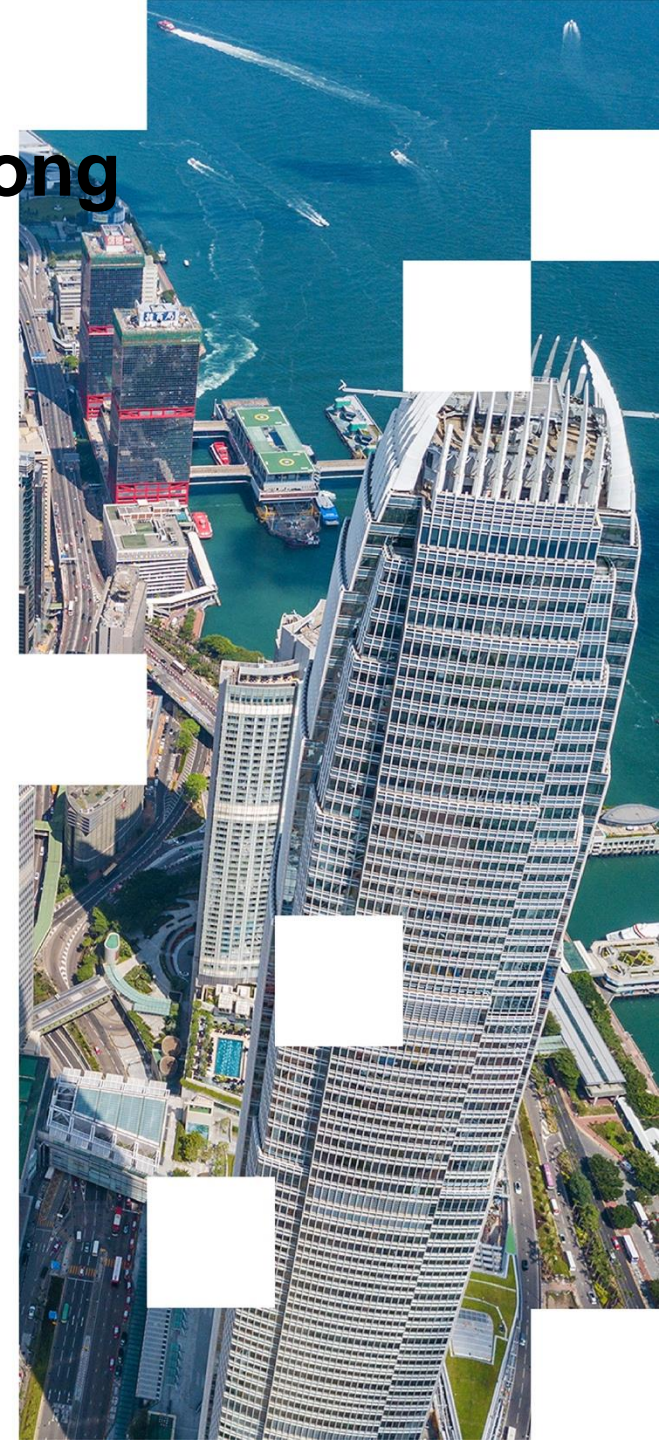


Retail Level:

- HKMA has been supporting PBOC in technical **testing of e-CNY in Hong Kong** to facilitate **cross-border payments**
- HK will soon roll out a pilot scheme for the use of e-CNY in the city for shopping and dining in Hong Kong, while Hong Kong residents living in the GBA cities will also be able to use the digital currency instead of two separate e-wallets previously.

Benefits:

- Strengthening HK status' as the world's premier offshore RMB hub
- Practical way of accelerating the integration of people living in the GBA.



GBA Opportunities for Fintech Companies

Trade finance platforms

- Qupital – a HK-based fintech company that offers offshore US dollar loans to Mainland Chinese merchants selling their products on overseas marketplaces including Amazon.com, eBay and Lazada.
- Addressing the pain-points of many mainland SMEs, the company has received funding from the investors including the GBA Homeland Development Fund, Innovation and Technology Venture Fund, Mindworks and Alibaba Entrepreneurs Fund



Digital payment

- Currency Fair started out as an online P2P currency exchange platform in Ireland and in 2021 merged with payment workflow automation platform Assembly Payments to form Zai.
- Zai has formed a strategic partnership with Chinese B2B trade marketplace Buy-World. The partnership allows Zai to bring integrated financial services including global payment collections to businesses and individuals of the trade network of Buy-World, bringing in innovative way to connect Chinese suppliers with their foreign buyers.



GBA Opportunities for Fintech Companies (Cont'd)

Digital lending platform

- WeLab is a B2C digital online platform leveraging its proprietary risk management technology to analyse unstructured mobile big data to offer financing solutions for individuals
- One of the 8 licensed virtual banks in HK
- With its advanced AI capabilities, the homegrown HK-unicorn has expanded into GBA, operating both B2C (WeLab Digital) and B2B (Tianmian Lab) business lines
- Postal Savings Banks of China's lending platform is powered by WeLab



Cross-Border Payment Tech

- Originated from the Cyberport, KeyPoints Exchange provides a point-system mechanism to facilitate consumer engagement
- Allows users to bind their points earned to their UnionPay credit cards so that they can pay with points earned at shops where UnionPay is used.
- A demonstration of how innovative payment tech can be deployed in the GBA in an integrated way



Launch of GBA Fintech Pilot Trial Facility by HKMA and PBOC

In Oct 2021, HKMA and PBOC **signed a MOU**, agreeing to link up the **PBOC's Fintech Innovation Regulatory Facility** with the **HKMA's Fintech Supervisory Sandbox**, to provide a “one-stop platform” to allow financial institutions (FIs) and technology firms to pilot test their cross-boundary fintech initiatives concurrently in Hong Kong and GBA cities.

In **Feb 2022**, HKMA and PBOC have announced that both organisations are **ready to accept applications** from FIs and technology firms for conducting pilot trials of cross-boundary fintech initiative in the GBA.

The new approach will **encourage fintech companies to develop more cross-border financial tools** as the one-stop sandbox platform allows fintech experiments to be **conducted faster and at a lower cost**.

Measures to Support Financial, Fintech and VC/PE Industries Issued by Shenzhen Municipal Financial Regulatory Bureau in April 2022

- Targeted measures to attract establishment of headquarters of **financial enterprises, fintech companies, equity investment and venture capital institutions**, including settlement awards, offices space support and subsidies for housing rental/purchases etc. Details below:
 - Measures by Shenzhen to support financial and fintech enterprises
 - Shenzhen Measures for the Development of Venture Capital and Market Entities

Supporting Policy in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone for the Development of Financial Industry

- The "Interim Measures for the Management of Special Funds for Supporting the Development of the Financial Industry" was announced on 22 Nov 2021. 《深圳前海深港现代服务业合作区支持金融业发展专项资金管理暂行办法》
- The funds are used to give financial rewards ranging from **RMB500K to RMB10M** as **one-off settlement to attract relevant foreign, HK and Macao-funded financial companies** in the related fields to set up in Qianhai.



Example of Target Financial Companies to Benefit from the Special Funds to be set up Qianhai Shenzhen-HK Development Zone (Cont'd)

FINANCIAL INSTITUTION	ADDITIONAL INCENTIVES FOR HK and MACAO FINANCIAL COMPANIES	FINTECH	OTHERS
<ul style="list-style-type: none">• Newly registered financial holding companies• Commercial bank franchises• Licensed financial institutions• Foreign bank branches	<ul style="list-style-type: none">• HK/Macao/bank branches• Guangdong-HK-Macao financial cooperation platforms• QFLP, WOFE PFM,• Shenzhen-HK fintech accelerator• Cross-border wealth management business operators• HK and Macao youth innovation/entrepreneurship organisation	<ul style="list-style-type: none">• E-CNY operating institutions• Green financial technology• Outstanding fintech companies• Fintech subsidiaries initiated by HK and Macao banks and insurance companies• HK and Macau virtual banks and virtual insurance companies	<ul style="list-style-type: none">• Financial leasing• Commercial Factoring

Development of Modern Finance Industry in Hengqin

- **Hengqin Guangdong-Macao In-Depth Cooperation Zone** is a platform to boost Macao's economic diversification
- Strong support by the Central Gov't for the development of a financial service platform between China and Portuguese-speaking countries
- Strong support for establishment of multi-currency venture capital funds, private equity investment funds and high-tech companies in the zone
- Targeted modern financial industries e.g. wealth management, bond market, and financial leasing, Macao-funded financial institutions etc.



Supporting Policies in Hengqin for Financial Industry



Encourage the establishment of multi-currency VC funds and PE Investment Funds

- “Interim Measures for the Pilot Programme of Foreign-invested Equity Investment Enterprise in the Guangdong-Macao In-depth Cooperation Zone in Hengqin
- Validity from 20 Jan 2021 for 3 years

Preferential tax policies and housing allowance for settlement of innovative financial companies

- Measures and Policies for the Promotion of the Economic Development of the Headquarters in Hengqin New Area announced in 2014
- Target companies: banking financial institutions, licensed banking institutions, non-banking financial institutions, securities institutions, fund management companies, futures companies and private equity investment funds Management companies, private investment funds and securities and futures investment consulting institutions, insurance institutions, asset management companies etc.

Talent Rewards

- “Hengqin New Area Special Talent Reward Measures”
- Financial awards to Hengqin tax-paying special talents in proportion to their economic contribution to Hengqin’s key industry development

The International Fintech Center Of The Greater Bay Area

灣區國際金融科技城

ABOUT

The International Fintech Center of the Greater Bay Area (IFCGBA) and Fintech Eco-park of the Greater Bay Area (IFEGBA), also called Futian Fintech Dual- Industrial Park, are high-standard fintech industrial parks established by the Futian District Government. They are two of the most dynamic, market-oriented industrial parks in the country, strategically positioned as the exchange hub for the fintech industry.

TARGET COMPANIES

- Recognized as an industry-leading company
- Having received more than RMB30 million funding from the government-backed funds or three independent investment firms



Shenzhen



Futian District

SECTOR



AI



Fintech

STAR TENANTS

WeBank



WEBSITE

<http://www.ifcgba.com/>



Hengqin Financial Industry Base

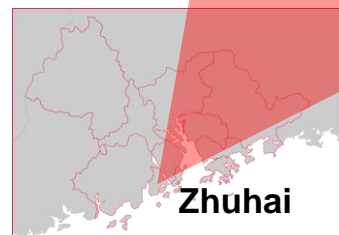
橫琴金融產業基地

ABOUT

The base is Zhuhai's largest hub for promoting financial innovation, converging major enterprises in banking, securities, insurance, financial back-office, factor trading and other major financial institutions. It is supported by preferential policies for financial innovation to be developed as a major offshore financial centre, cross-border property rights (equity) trading centre and a multi-currency industrial investment fund investment centre in southern China, as well as a national showcase for financial innovation.

TARGET COMPANIES

- Banks, investments, funds, insurance, securities, and property rights transactions, financial leasing, financial services and other enterprises



Hengqin

SECTOR



Fintech

STAR TENANTS



WEBSITE

<http://www.huafau.com/zh-tw/info/439.html>

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