

[Translation]

Memorandum of Understanding on the Launch of the Cross-boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area between the People’s Bank of China, China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission, State Administration of Foreign Exchange and the Hong Kong Monetary Authority, Securities and Futures Commission of Hong Kong, Monetary Authority of Macao

To strengthen regulatory cooperation among the People’s Bank of China (“PBoC”), China Banking and Insurance Regulatory Commission (“CBIRC”), China Securities Regulatory Commission (“CSRC”), State Administration of Foreign Exchange (“SAFE”) and the Hong Kong Monetary Authority (“HKMA”), Securities and Futures Commission of Hong Kong (“SFC”), Monetary Authority of Macao (“AMCM”) (hereinafter collectively referred to as the “Parties”) in relation to the launch of the Cross-boundary Wealth Management Connect Pilot Scheme (“Scheme”) in the Guangdong-Hong Kong-Macao Greater Bay Area, and to ensure the effective operation of the Scheme as well as proper risk controls, the Parties have entered into this Memorandum of Understanding (“MoU”) after amiable consultation on the principle of equality, and reached a consensus on the following arrangements:

Part 1 General Provisions

1. On the basis of mutual trust, understanding and respect, and in accordance with the laws and regulations of the three jurisdictions, their respective statutory functions and remits as well as their existing supervisory and enforcement mechanisms, the Parties agree to provide each other with supervisory assistance to the greatest possible extent.
2. By signing the MoU, the Parties aim to establish sound supervisory cooperation arrangement and liaison mechanism, maintain orderly and fair trading, protect investors’ interests, enhance the cooperation arrangement among the Parties to prevent supervisory discord, regulatory arbitrage and other related cross-boundary illicit or non-compliance activities. The Parties will, within their respective statutory functions and remits, make their best efforts to coordinate with relevant institutions to ensure full compliance with and enforcement of the relevant laws and regulations of the three jurisdictions.
3. The MoU complements existing regulatory cooperation among the Parties and will not in any way alter the terms and conditions of the latter. Nor will the MoU override the laws and regulations of the various financial regulators. The MoU

applies to regulatory cooperation under the Scheme.

4. The MoU is a statement of intent and is not intended to create any legally binding obligation on any of the Parties.

Part 2 Basic Principles of the Scheme

5. The Scheme will be operated on the principle of “regulation by the jurisdiction where the business is conducted”. Business conducted in a jurisdiction is governed by the respective laws and regulations of that jurisdiction regarding the regulation of wealth management products and the sale of such products.

6. The PBoC, CBIRC and CSRC agree to take effective measures to ensure that the investment scope under the Northbound Scheme meets the relevant requirements of the Scheme. The HKMA, SFC and AMCM agree to take effective measures to ensure that the investment scope under the Southbound Scheme meets the relevant requirements of the Scheme.

7. The PBoC, CBIRC and CSRC agree to provide guidance to Mainland banks to conduct due diligence on eligible wealth management products under the Northbound Scheme to thoroughly understand the nature and risks of wealth management products and assess the risk level and complexity of the products in accordance with the relevant requirements. The HKMA, SFC and AMCM agree to provide guidance to Hong Kong and Macao banks to conduct due diligence on eligible wealth management products under the Southbound Scheme to thoroughly understand the nature and risks of wealth management products and assess the risk level and complexity of the products in accordance with the relevant requirements.

8. The PBoC, CBIRC and CSRC agree to provide guidance to Mainland banks to provide investor protection measures in accordance with the relevant legal requirements of the Mainland. The HKMA, SFC and AMCM agree to provide guidance to Hong Kong and Macao banks to provide investor protection measures in accordance with the relevant legal and regulatory requirements of the respective jurisdictions.

9. The PBoC agrees to provide guidance to Mainland banks to comply with obligations relating to, among other things, anti-money laundering, and counter-financing of terrorism in accordance with relevant legal requirements of the Mainland when launching the Northbound Scheme. The HKMA and AMCM agree to provide guidance to Hong Kong and Macao banks respectively to comply with obligations relating to, among other things, anti-money laundering and counter-financing of terrorism in accordance with relevant legal and regulatory requirements of the respective jurisdictions when launching the Southbound Scheme.

10. The Parties have reached consensus on the principle of fund management under the Scheme. The PBoC and SAFE agree to provide guidance to Mainland banks to strengthen the management of investment accounts to ensure that funds remitted to the Mainland by Hong Kong and Macao investors under the Northbound Scheme will only be used for the designated purpose, and that proceeds from redemption of wealth management products will be remitted back via the same route in renminbi, so as to ensure the closed loop management of funds. The HKMA and AMCM agree to provide guidance to Hong Kong and Macao banks respectively to strengthen the management of investment accounts to ensure that funds remitted to Hong Kong and Macao by Mainland investors under the Southbound Scheme will only be used for the designated purpose, and that proceeds from redemption of wealth management products will be remitted back via the same route in renminbi, so as to ensure the closed loop management of funds.

11. The PBoC and SAFE agree to provide guidance to Mainland banks to strengthen the management of operations to prevent Hong Kong and Macao investors from using funds and wealth management products under the Northbound Scheme for other purposes such as pledges and guarantees. The HKMA and AMCM agree to provide guidance to Hong Kong and Macao banks respectively to strengthen the management of operations in order to prevent Mainland investors from using funds and wealth management products under the Southbound Scheme for other purposes such as pledges and guarantees.

12. The Parties agree to take measures to fulfill the requirements on the management of aggregate and individual investor quota under the Scheme.

13. The PBoC, CBIRC and CSRC agree to provide guidance to Mainland banks to properly protect investors' personal information in accordance with the relevant laws and regulations in the Mainland. The HKMA and AMCM agree to provide guidance to Hong Kong and Macao banks respectively to properly protect investors' personal information in accordance with the relevant laws and regulations in Hong Kong and Macao.

Part 3 Exchange of Supervisory Information

14. The Parties agree to put in place an arrangement for sharing the statistics of the Scheme regularly. Such statistics include but are not limited to lists of banks participating in the Scheme, information related to eligible wealth management products (such as sales statistics of eligible wealth management products), and the usage of aggregate quota under the Scheme.

15. The Parties agree to inform the relevant authorities of the other jurisdiction(s) in a timely manner of illicit or non-compliance activities of participating institutions and complaints about the institutions and products under the Scheme, if deemed necessary

following reasonable assessments based on the principle of prudent supervision.

16. A Party should use the information and documents provided by another Party for the objectives or purposes stated in the request for supervisory assistance. Information obtained under a Party's request should only be used for the purpose specified in its request. The Parties should ensure the confidentiality of all relevant information. If a Party wishes to use information provided by another Party for purposes other than those specified in the request, or to onward disclose such information to a third party, the Party must seek the prior consent of the other Party that provides the information.

17. The Parties agree to put in place a mechanism for the collection and exchange of information and to meet the request for information put forward by another Party for supervisory purposes as far as possible within their respective statutory functions and remits and in accordance with the relevant laws and regulations of the respective Party.

18. If information possessed by one Party may help or enable another Party in carrying out its supervisory functions, the former Party may provide or arrange to provide the relevant information on its own initiative even if the latter Party has not put forward a request. If one Party receives a complaint that falls under the jurisdiction of another Party, the former Party should refer the complaint to the latter Party in a timely manner.

Part 4 Enforcement Cooperation

19. The Parties should strengthen enforcement cooperation under the Scheme in accordance with their respective laws and statutory remits in order to jointly combat cross-boundary illicit or non-compliance activities. The Parties agree to put in place a mechanism for the collection and exchange of information. If one Party has commenced investigation into an illicit or non-compliance activity under the Scheme, subject to the applicable laws and regulations and the circumstances of the case, it should inform counterparts in the other jurisdiction(s).

20. The Parties agree to accommodate information requests put forward by their counterparts in the other jurisdiction(s) for enforcement purposes as far as possible within their respective statutory functions and remits and in accordance with their respective laws and regulations. Information obtained by a Party under such requests should only be used for the purposes specified in the requests. The Parties should ensure the confidentiality of all relevant information. If one Party wishes to use information provided by another Party for purposes other than those specified in the request, or to onward disclose such information to a third party, the Party must seek the prior consent of the other Party that provides the information.

Part 5 Investor Protection

21. The Parties agree to protect the rights and interests of investors based on the principle of “regulation by the jurisdiction where the business is conducted”. Complaints arising from the process of cross-boundary remittance and purchase and sale of wealth management products under the Scheme shall be handled by the relevant financial regulators in accordance with laws and regulations of where the banks conduct the relevant business. The Parties agree to provide guidance to banks in the three jurisdictions to establish a complaint coordination and referral mechanism with their cross-boundary partnering banks to ensure that complaints are followed up by specific responsible units, and to provide investors with convenient cross-boundary complaint channels.

22. Mainland financial regulators shall uphold the principles of fairness, openness, impartiality and equality to protect the legal rights and interests of Hong Kong and Macao investors in Northbound transactions in accordance with the Mainland’s legal system. Hong Kong and Macao financial regulators shall uphold the principles of fairness, openness, impartiality and equality to protect the legal rights and interests of Mainland investors in Southbound transactions in accordance with Hong Kong’s and Macao’s legal systems.

23. The PBoC, CBIRC and CSRC agree to provide guidance to Mainland banks to strengthen financial education for investors, promote the notion of “sellers and buyers should bear their respective responsibilities”, undertake consumer protection and product due diligence, carefully assess investors’ eligibility, and follow the suitability principle. The HKMA, SFC, and AMCM agree to provide guidance to Hong Kong and Macao banks to strengthen financial education for investors, promote the notion of “responsible investment attitude”, undertake product due diligence, carefully assess investors’ eligibility, provide information and risk disclosure as appropriate, and carry out investor protection measures and comply with the relevant requirements in order to mitigate the risk of mis-selling.

24. The PBoC, CBIRC, CSRC and the HKMA, SFC and AMCM shall discuss the establishment of an investor protection supervisory cooperation mechanism to jointly undertake the task of investor protection under the Scheme.

Part 6 Liaison and Consultation Mechanism

25. The Parties agree to conduct regular liaison meetings to discuss the operation and supervision of the Scheme and issues of common concern or interests with the aim of enhancing the various arrangements of Scheme and facilitating the implementation of the MoU and resolution of possible issues. The Parties agree to seek the views of the relevant Parties before making amendments or changes to the relevant supervisory rules and policy matters relating to the Scheme.

26. The Parties will designate contact persons to take charge of the liaison work regarding meeting arrangements, press releases, requests for assistance, dissemination of information and other matters. The Parties should communicate with each other fully in advance and ensure as far as practicable the consistency of the content and timing of their press releases. Any Party who changes its contact persons shall notify the other Parties in writing.

Part 7 Taking Effect

27. The MoU shall take effect upon the launch of the Scheme by the People’s Bank of China, China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission and State Administration of Foreign Exchange with the Hong Kong Monetary Authority, Securities and Futures Commission of Hong Kong and Monetary Authority of Macao. The simplified Chinese text and traditional Chinese text of the MoU carry the same effect. The MoU is signed in seven copies, with each Party keeping one copy. The Parties may make appropriate amendments or supplements to the MoU as needed when the Scheme is opened to other regulated financial institutions in future.

People’s Bank of China, People’s Republic of China	China Banking and Insurance Regulatory Commission People’s Republic of China
China Securities Regulatory Commission People’s Republic of China	State Administration of Foreign Exchange People’s Republic of China
Hong Kong Monetary Authority Hong Kong Special Administrative Region People’s Republic of China	Securities and Futures Commission Hong Kong Special Administrative Region People’s Republic of China
Monetary Authority of Macao Macao Special Administrative Region People’s Republic of China	