



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
B9/206C
G16/1C

31 May 2024

The Chief Executive
All Registered Institutions

Dear Sir / Madam,

Provision of Southbound Scheme Services under Cross-boundary Wealth Management Connect Pilot Scheme by Authorized Institutions Incorporated Outside Hong Kong

In light of recent enquiries from some banks and having consulted the industry, I am writing to set out the guidance for authorized institutions (AIs) incorporated outside Hong Kong (“non-locally incorporated AIs”) to provide Southbound Scheme services under the Cross-boundary Wealth Management Connect Pilot Scheme (“Cross-boundary WMC”) to non-private banking customers.

Background

The Hong Kong Monetary Authority (HKMA) takes the view that a bank incorporated outside Hong Kong that aims to undertake retail business in Hong Kong should operate in the form of a locally incorporated subsidiary. This is to enable the HKMA to have an effective and direct supervisory handle on various aspects of a retail bank’s operation (especially its capital adequacy ratio) for corresponding protection to the retail depositors.

Meanwhile, answer to Q7 of the Appendix to the HKMA’s Cross-boundary WMC Guidance¹ set out that Hong Kong branches of non-locally incorporated AIs registered under the Securities and Futures Ordinance for carrying on Type 1 regulated activity (dealing in securities), and engaging in private banking business are eligible to participate in the Cross-boundary WMC. The monetary threshold

¹ HKMA’s circular on 24 January 2024 entitled “Amendments to Implementation Arrangements for the Cross-boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area”

for “private banking customers” had been defined² to include investable assets under the AI’s management threshold of USD 1 million, or USD 3 million investable assets in any banks / institutions. Private banks can take up Mainland customers who satisfy the aforementioned monetary threshold, notwithstanding the prevailing Cross-boundary WMC individual investor quota.

The Guidance

In view of the unique features of the Cross-boundary WMC, which are different from that of traditional retail banking business in terms of policy background, target customers and risks posed to effective supervision, the HKMA considers that non-locally incorporated AIs engaging in private banking business may (through their respective Hong Kong branches) also provide Southbound Scheme services under Cross-boundary WMC to customers not meeting the above-mentioned monetary threshold for “private banking customers”, subject to the following requirements taking into account the circumstances:

- (i) The non-locally incorporated AI can only accept such customers under Southbound Scheme services that are provided by the AI together with its head office as the Mainland partner bank. Such customers could not be taken up from other Mainland partner banks;
- (ii) Relevant potential Southbound Scheme customers have to be referred by the head office of the non-locally incorporated AI;
- (iii) For each non-locally incorporated AI, the number of such customers under the Southbound Scheme should not exceed 1,000 customers, and the AI should have related controls to comply with such limit;
- (iv) Such non-locally incorporated AIs cannot market retail banking business (including Southbound Scheme) in Hong Kong;
- (v) Such non-locally incorporated AIs should comply with those applicable investor protection measures for retail banking customers as required by the HKMA³ for those Southbound Scheme customers not meeting the monetary threshold for “private banking customers”, and put in place adequate systems, internal control measures and operating procedures for compliance with the requirements stipulated in the HKMA’s Cross-boundary WMC Guidance; and
- (vi) Non-locally incorporated AIs that intend to provide Southbound Scheme services to such customers should notify the HKMA in advance.

² HKMA’s circular on 12 June 2012 entitled “Selling of Investment Products to Private Banking Customers”

³ Including but not limited to those set out in the HKMA’s circulars on 25 September 2019 entitled “Investor Protection Measures in respect of Investment, Insurance and Mandatory Provident Fund Products” and on 23 December 2020 entitled “Frequently Asked Questions on Investor Protection Measures”.

Notification to the HKMA under (vi) above should be made via email to wmcsurvey@hkma.iclnet.hk and your usual supervisory contact at the HKMA.

If you have any questions on this Circular, please contact Ms Flora Sze at 2878-1758, Ms Anita Chan at 2878-1538 or your usual supervisory contact at the HKMA.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)

c.c. Securities and Futures Commission
(Attn: Ms Christina Choi, Executive Director (Investment Products)
Mr Eric Yip, Executive Director (Intermediaries))