

**Motion Debate on
“Further enhancing Hong Kong’s status
as an offshore Renminbi centre”**

Progress Report

Background

At the sitting of the Legislative Council (LegCo) of 15 September 2021, the motion on “Further enhancing Hong Kong’s status as an offshore Renminbi centre” moved by Hon Christopher CHEUNG (as amended by Hon CHAN Chun-ying) was passed (full text of the passed motion at [Annex](#)). This report sets out the follow-up actions taken by the Administration in respect of the motion.

Latest Progress

2. The Outline of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035 (“National 14th Five-Year Plan”) gives support to Hong Kong in strengthening its role as a global offshore Renminbi (“RMB”) business hub. With the support of the Central Government, Hong Kong continues to be the world’s largest offshore RMB business hub, with a leading position in RMB settlement, financing and asset management. We will continue to explore with the industry and Mainland authorities the expansion of channels for two-way flow of cross-boundary RMB funds.

Promoting two-way RMB flow

3. The Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area (“Cross-boundary WMC”) was officially launched on 10 September 2021. The scheme enables residents in Hong Kong, Macao and nine cities in Guangdong Province to carry out cross-boundary investment in wealth management products distributed by banks in the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”). The regulators of the three places promulgated the implementation details of the scheme on the same day. Banks commenced business on 19 October 2021. Currently, 19 banks have launched Cross-boundary WMC services together with their respective Mainland partner banks. According to the People’s Bank of

China, as of 5 November 2021, about 9 395 individual investors participated in Cross-boundary WMC and 2 384 remittances (including Hong Kong and Macao) had been recorded, of which over 1 600 remittances were made under the Northbound Scheme and over 700 remittances were made under the Southbound Scheme. Cross-boundary funds remittances (including Hong Kong and Macao) totalled RMB 180 million, including RMB 82.87 million for Northbound Scheme and RMB 93.91 million for Southbound Scheme. Financial products bought by investors amounted to RMB 93.46 million cumulatively. For the aggregate quota usage, as of 9 November 2021, the usage had been RMB 86.38 million and RMB 66.35 million under the Northbound Scheme and Southbound Scheme respectively (which is calculated on a net cross-boundary remittance basis).

4. Southbound Trading of Bond Connect has also been implemented from 24 September 2021, which has been operating smoothly since its launch. It covers the major types of bonds in Hong Kong market, including RMB, Hong Kong Dollar, US Dollar and Euro bonds. On the first trading day, some 150 transactions amounting to a total of around RMB4 billion were completed. The launch of Southbound Trading under Bond Connect further expands the product suite of the Connect family and provides an effective channel for qualified onshore investors to make diversified asset allocation and, at the same time, presents enormous opportunities for Hong Kong's financial industry. Not only would this enhance the attractiveness of Hong Kong as a bond issuing platform and the liquidity of the bond market in Hong Kong, but also further facilitate the progress of RMB internationalisation.

5. With the prosperous growth of the mutual capital market access programmes, investors' demand for relevant risk management tools is on the rise. Hong Kong Exchanges and Clearing Limited ("HKEX") has launched the MSCI China A50 Connect Index futures contract in Hong Kong since 18 October 2021, which serves as a useful risk management tool for offshore investors participating in the A-share market and further expands the product scope offering in our capital markets.

Facilitate the issuance of offshore RMB bonds

6. The Shenzhen Municipal People's Government ("Shenzhen Government") issued offshore RMB municipal government bonds in Hong Kong in October 2021, which was listed on the Stock Exchange of Hong Kong. This is the first time a Mainland municipal government issues bonds outside the Mainland, enriching our spectrum of RMB financial

products. In respect of interest paid or profit received arising from the debt instruments issued in Hong Kong by the Shenzhen Government, we plan to exempt the payment of profits tax. The Government will continue to facilitate the issuance of offshore RMB bonds in Hong Kong, thereby promoting RMB internationalisation.

Examine how to increase demand in issuing and trading RMB securities

7. In view of the overall development trend of RMB, we are conducting a feasibility study on specific proposals to increase the demand for the issuance and trading of RMB securities, such as allowing securities eligible for southbound trading under Stock Connect to be denominated in RMB. The study covers an array of technical issues, including the issue of possible “arbitrage” activities, resulting in separate fund pools between RMB and HKD; and how the two pools impact one another, etc.

8. Allowing trading of RMB-denominated securities via the southbound trading under Stock Connect can mitigate the foreign exchange rate risk borne by Mainland investors, providing a greater certainty on the trading price. At the same time, the scope of offshore RMB securities products in Hong Kong would increase in scale with improved liquidity, thereby promoting the development of other types of RMB-denominated securities.

**Financial Services and the Treasury Bureau
November 2021**

Council meeting of 15 September 2021

**Hon Christopher CHEUNG's motion on
"Further enhancing Hong Kong's status
as an offshore Renminbi centre"**

Motion as amended by Hon CHAN Chun-ying

That Hong Kong as an international financial centre and the world's largest offshore Renminbi ('RMB') business hub plays an important role in promoting RMB internationalization; in this connection, this Council urges the Government to seize the opportunities arising from the National 14th Five-Year Plan for Hong Kong's financial industry by formulating measures to actively motivate competitive Mainland enterprises to raise fund through launching RMB initial public offerings in Hong Kong, introducing diversified RMB investment products in Hong Kong's financial market, as well as promoting and implementing cross-boundary financial services such as 'Wealth Management Connect', 'Insurance Connect' and 'Southbound Bond Connect' together with a mutual recognition system for financial products to foster cross-boundary investment, with a view to substantially expanding Hong Kong's RMB liquidity pool, creating an offshore ecosystem for RMB and further enhancing Hong Kong's status as an offshore RMB centre.