

Closer Economic Partnership Arrangement (Phase II) - Commitment concerning Futures Intermediaries

General Questions

What is Mainland's commitment under the Second Phase of Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA II") concerning futures intermediaries?

Posted on 29.9.2005

4.1 Mainland has committed to allow intermediaries licensed with the Securities and Futures Commission ("SFC") of Hong Kong and which satisfy the requirements of the China Securities Regulatory Commission ("CSRC") to set up joint venture futures brokerage companies in the Mainland. The percentage of shareholding owned by Hong Kong licensed intermediaries should not exceed 49% (including shareholding of related parties). Requirements in respect of the scope of business and amount of capital etc. of the joint venture futures brokerage companies shall be the same as those of Mainland enterprises.

Please refer to CSRC's website (see below) for details of the Mainland's requirements.

How will HK futures intermediaries benefit from CEPA II?

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4.2 The Mainland futures market has a high potential for growth and CEPA II opened the door for Hong Kong futures intermediaries to set up joint venture futures brokerage companies in the Mainland.

Does the commitment under CEPA II cover the securities industry?

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4.3 No. There are already established rules and regulations on forming joint venture securities company in the Mainland by Hong Kong or other overseas intermediaries.

Please refer to CSRC's website for details about forming joint venture securities company in the Mainland.

Will the SFC offer reciprocal arrangement for Mainland's futures intermediaries to enter the Hong Kong market?

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4.4 Other than satisfying the SFC that they are fit and proper to be licensed, there is no restriction on the participation in the Hong Kong market by regulated intermediaries from other markets. Such intermediaries are however expected to satisfy all applicable rules and regulations governing their overseas expansion in their home jurisdiction.

For prospective Hong Kong applicants

What are the requirements of the CSRC on the HK futures intermediaries?

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4.5 CSRC has issued a document 《港澳服務提供者申請期貨經紀公司股東資格審核》 (“Procedures”, only Chinese version is available) about the approval requirements and procedures in its website (only available in the Chinese version of the website under the section “Admin Permit”). Please refer to the Procedures for details.

Contact details of the CSRC are:

China Securities Regulatory Commission

Address : A Focus Place
19 Jinrong Street
Xi Cheng District
Beijing 100032
P.R. China

Website : www.csrc.gov.cn

How is futures intermediaries defined and is there any other requirements on the intermediaries?

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4.6 Futures intermediaries refer only to those licensed by the SFC for Type 2 regulated activity (dealing in futures contracts). They must satisfy CEPA’s definition of “service provider” and have to be licensed for the same regulated activity for at least five year. For other requirements, please refer to the Procedures.

What are the capital requirement and permitted scope of business for such joint venture futures brokerage company?

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4.7 The same requirements for Mainland futures brokerage companies are applicable to the joint venture futures brokerage companies to be established by Hong Kong intermediaries. The current minimum capital requirement is RMB 30 million. The scope of business includes futures brokerage services, consultancy, training-related business and other businesses approved by the CSRC.

I can now form joint venture in the Mainland, is there any arrangement under CEPA for my staff?

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4.8 Yes. There are arrangements relating to industry practitioners under Phase 1 of CEPA. For details, please refer to the FAQs on Closer Economic Partnership Arrangement – Arrangements relating to Qualifications of Securities and Futures Industry Practitioners.

When can I file the application?

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4.9 You can apply now directly to the CSRC in accordance with the requirements laid down in the Procedures.

One of the required documents as stated in the Procedures is a letter from the SFC concerning the HK intermediary. How can I get the said letter?

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4.10 You only need to send a written request to the Licensing Department of the SFC and provide the SFC with the relevant information about the proposed joint venture. The SFC will then issue the letter to the CSRC directly and notify you in writing afterwards.

Contact details of the SFC are:

Securities and Futures Commission

Address : 8th Floor, Chater House
8 Connaught Road Central
Hong Kong

Tel : (852) 2840 9393

Fax : (852) 2501 0375

Website : www.sfc.hk

E-mail : licensing@sfc.hk