

## Frequently Asked Questions on the Cross-Boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area

Unless otherwise specified, terms used in these FAQs bear the same meaning as defined in the Regulatory Requirements on Licensed Corporations Participating in the Southbound Scheme ("Southbound Scheme Circular") and Regulatory Requirements on Licensed Corporations Participating in the Northbound Scheme ("Northbound Scheme Circular") (collectively referred to as the "Circulars").

### General

**Q1: Is it necessary for a Participating LC and its Partner Broker to be of the same group?**

A1: No.

**Q2: Can a Participating LC partner with different Partner Brokers under the Southbound Scheme and Northbound Scheme, respectively?**

A2: Yes.

**Q3: How should Participating LCs present the partnership arrangement with the Partner Brokers?**

A3: A Participating LC may present the partnership arrangement with its Partner Broker for the purposes of the Cross-boundary WMC in the following manner:

- (1) Participating LC may, by way of statement of fact, disclose the name and basic contact information (eg, general enquiry or hotline number, branch address, website address, etc) of its Partner Broker on the Participating LC's public website and promotional materials; and
- (2) Participating LC may incorporate a website or a hyperlink (place only the relevant website address of the Partner Broker (without a hyperlink) if providing promotional materials through media) to the website of its Partner Broker when mentioning the term of "Partner Broker" on the Participating LC's website and promotional materials, with clear indication that the Participating LC has partnered with such Partner Broker for the purposes of the Southbound and/ or Northbound Scheme.

Participating LCs and Partner Brokers should ensure that representations about the Northbound Scheme would not result in breach of the restrictions on carrying on business in regulated activities as set out in sections 114 and 115 of the Securities and Futures Ordinance ("SFO") by Partner Brokers.



**Q4: Can Participating LCs follow the existing mechanism to engage staff of Partner Brokers on a temporary basis to perform tasks relevant to the Cross-boundary WMC in Hong Kong?**

A4: Where a Participating LC intends to engage staff of Partner Brokers on a temporary basis to perform functions in regulated activities, it should satisfy the requirements of the licence mechanism set out in the SFO and the fit and proper requirements. In the context of Cross-boundary WMC, the relevant Partner Broker's staff who are granted temporary licences to act as representatives of the Participating LC can only engage in Cross-boundary WMC activities as specified in the Circulars and these FAQs. The Participating LC is responsible for the conduct in Hong Kong of the Partner Broker's staff who are granted temporary licences to act as representatives of the Participating LC.

## **Southbound Scheme**

**Q5: What measures can be taken by Participating LCs to ascertain that investors have not conducted Southbound Scheme activities with other Participating LCs?**

A5: Applicable measures include requesting investors to declare that they do not hold any dedicated investment account with other Participating LCs under the Southbound Scheme. Mainland regulatory authorities will also conduct screening afterwards. In the event that repeated account opening is identified, Participating LCs should follow up accordingly upon receipt of relevant notification.

**Q6: Can Participating LCs, through their Partner Brokers, complete the relevant disclosure related to opening of dedicated investment accounts under the Southbound Scheme and risk profiling assessment?**

A6: Regarding the disclosure related to opening of dedicated investment accounts under the Southbound Scheme and risk profiling assessment, Participating LCs should comply with the Southbound Scheme Circular and all relevant prevailing regulatory requirements.

In particular, the client relationship of the dedicated investment accounts under the Southbound Scheme lies between Participating LCs and clients. Hence, Participating LCs are responsible for relevant disclosure related to dedicated investment accounts under the Southbound Scheme, including the risk disclosure statements mentioned in paragraphs 6.1 and 6.2 of the SFC Code of Conduct. According to paragraph 6.1 of the SFC Code of Conduct, where an account opening procedure other than a face-to-face approach (including account opening by attestation) is used, the covering correspondence should specifically direct the client's attention to the appropriate risk disclosure statements and client acknowledgement should be sought. It will not be necessary for the "declaration by staff" section to be signed. As to the opening of Southbound Scheme dedicated investment accounts, tasks performed by the Partner Brokers on clients should be limited to general administrative tasks, for example, in respect of account opening by attestation, verification of client identity, sighting of identification documents and signing of client agreement, or providing general information related to the Cross-boundary WMC.

**Q7: What should Participating LCs be aware of when selling investment products under the Southbound Scheme?**

A7: Participating LCs should comply with conduct related requirements (including the SFC Code of Conduct and the Online Platform Guidelines) and relevant rules, and observe the following:

- Act with due skill, care and diligence when selecting investment products to be made available;
- Provide clients with access to up-to-date product offering documents and information;

- Provide clients with material relevant information as soon as reasonably practicable to enable clients to appraise the position of their investments;
- When distributing bonds, observe the applicable restrictions (eg, non-retail bonds are distributed relying on the exemptions for prospectus related provisions under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (if applicable); bonds listed under Chapter 37 of the Main Board Listing Rules are targeted at professional investors); and
- Provide clients with the Participating LCs' contact details for handling client enquiries and complaints, and handle complaints in a timely and appropriate manner.

**Q8: What specific promotion and sales may Participating LCs carry out under the Southbound Scheme?**

A8: Participating LCs may refer to the relevant rules on promotion and sales in the Southbound Scheme Circular.

Participating LCs **may not**:

- a. **proactively** market the Participating LC's Southbound Scheme services to the Mainland public, or induce them to open an account under the Southbound Scheme (eg, on their social media, proactively provide a link to the application form to the Mainland public for the opening of a dedicated investment account under the Southbound Scheme), or proactively provide the list of investment products or information about individual investment products under the Southbound Scheme; and
- b. indicate to investors **on the Mainland** that Participating LCs offer gifts and/ or provide promotional offers for Mainland investors opening dedicated investment accounts under the Southbound Scheme, or offer gifts and/ or provide promotional offers to induce the investors to open Cross-boundary WMC accounts or purchase investment products.

**Q9: What specific promotion may Partner Brokers carry out under the Southbound Scheme?**

A9: When carrying out the promotion activities, Partner Brokers should comply with relevant guidelines and rules promulgated by Mainland regulatory authorities.

In general, Partner Brokers may:

- a. display and provide the following on the Mainland, to the public (including non-Southbound Scheme clients):
  - (i) general information about Cross-boundary WMC (including the scope and categories of eligible investment products, quota, funds remittance and transfer arrangements, investor protection, etc); and

- (ii) factual representations on the Southbound Scheme services provided by the Partner Brokers, including operational arrangements of the Southbound Scheme services, detailed arrangements for opening dedicated remittance accounts under the Southbound Scheme; contact details of the Partner Broker (including the name and basic contact information (eg, general enquiry or hotline number, branch address, website address, etc) of the Partner Broker; and a representation on the partnership arrangement between the Partner Broker and the Participating LC (including the name and basic contact information (eg, general enquiry or hotline number, branch address, website address, etc) of the Participating LC));
- b. upon request by Mainland investors who have opened an account under the Southbound Scheme, provide a list of investment products under the Southbound Scheme of the Participating LC;
- c. organise briefings and seminars on the Mainland for the Mainland public to introduce the content set out in sub-paragraph (a) above, in addition to information on macroeconomic conditions, market environment and industry segments, as well as general financial information, etc; and
- d. provide hyperlinks on their websites or provide addresses of the Participating LCs' webpages (without hyperlinks) on other media for Mainland clients who have opened dedicated investment accounts with the relevant Participating LCs to log into the Participating LCs' websites to obtain further information on individual investment products. The hyperlinks should link directly to the public website of the Participating LCs. When Mainland clients click on the hyperlinks provided by the Partner Brokers, a clear message should be prompted to remind Mainland clients that they will be redirected to a website which is not operated by the Partner Brokers.

Nevertheless, the Partner Brokers must be cautious that the information provided on the Southbound Scheme services should be factual and fair representations and should not (i) involve solicitation or recommendation; (ii) constitute an offer to the Mainland public in relation to individual investment products; or (iii) constitute active marketing by the Participating LCs of their Cross-boundary WMC services to the Mainland public.

Partner brokers **may not**:

- a. induce the Mainland public to open a dedicated investment account under the Southbound Scheme with a Participating LC, or induce, through any media, the Mainland public to browse, via any hyperlinks or web addresses, the information of investment services and products provided by a Participating LC;
- b. market or conduct the sale of investment products under the Southbound Scheme, or display or provide information of individual investment products which are not authorised by the relevant Mainland authorities to the Mainland public; or

- c. act as, or hold itself out as a representative or an agent of a Participating LC on the Mainland.

**Q10: In what specific ways may Participating LCs disclose the scope, categories and list of its investment products under the Southbound Scheme?**

- A10 :
- a. Participating LCs can provide filtering function on their websites to allow the Mainland public to identify, in a self-directed manner, the eligible investment products provided by the Participating LCs under the Southbound Scheme, and/or provide a hard copy or electronic leaflet of the product list upon the request by an individual Mainland investor. The basic principle is that Participating LCs and Partner Brokers should not proactively display or proactively provide the list of eligible investment products under the Southbound Scheme to the Mainland public on their websites or by other means;
  - b. Participating LCs may, in Hong Kong, proactively display and provide a general description of the number, nature, features, risks, fees and charges and range of return, etc of each type of eligible investment products available under the Southbound Scheme to the public according to the Southbound Scheme services offered by Participating LCs.

Take funds as an example. Participating LCs may disclose:

- (i) the number of eligible funds under the Southbound Scheme offered by Participating LCs;
- (ii) a breakdown by the categories of eligible funds under the Southbound Scheme offered by Participating LCs and the related number of funds under each sub-category (such as the types of underlying investments (equity funds (eg, the type of equity markets), bond funds (eg, the investment grading of the underlying bonds), mixed funds), geographical locations of the underlying investments, risk rating as assigned by the Participating LCs concerned, etc);
- (iii) the general risks associated with the funds;
- (iv) the range of fees and charges of the funds; and
- (v) the statistics related to the rate of return of the funds (such as historical average rate of return and median rate of return of the funds).

For information concerning individual products, the requirements set out in sub-paragraph (a) above should be followed.

## **Northbound Scheme**

**Q11: What measures can be taken by Participating LCs to ascertain that investors have not conducted Northbound Scheme activities with other eligible Mainland brokers?**

A11: Applicable measures include requesting investors to declare that they do not hold any dedicated investment account with other eligible Mainland brokers under the Northbound Scheme. Mainland regulatory authorities will also conduct screening afterwards. In the event that repeated account opening is identified, Participating LCs should follow up accordingly upon receipt of relevant notice.

**Q12: What specific promotion may Participating LCs carry out under the Northbound Scheme?**

A12: In general, Participating LCs may:

- a. in Hong Kong, to the public (including non-Northbound Scheme clients), through the following approaches:
  - on various media in Hong Kong (including newspapers, magazines, television and radio, etc);
  - at its place of business;
  - on its website and social media accounts; and
  - through various communication channels (including issuing mass emails or messages and making phone calls) to Participating LCs' clients (including non-Northbound Scheme clients),display and provide:
  - (i) general information about the Cross-boundary WMC (including the scope and categories of eligible investment products, quota, funds remittance and transfer arrangements, investor protection, etc); and
  - (ii) factual representations on the Northbound Scheme services provided by the Participating LC (including operational arrangements of the Northbound Scheme services, detailed arrangements for opening dedicated remittance accounts under the Northbound Scheme, contact details of the Participating LC (including the name and basic contact information (eg, general enquiry or hotline number, branch address, website address, etc) of the Participating LC), and a representation on the partnership arrangement between the Partner Broker and the Participating LC made in accordance with answer to question 3 of these FAQs);
- b. upon request by Hong Kong investors who have opened an account under the Northbound Scheme (and maintained a non-Cross-boundary WMC investment account with the Participating LC at the same time), provide a list of eligible investment products under the Northbound Scheme of the Partner Brokers;



- c. organise briefings and seminars in Hong Kong for the Hong Kong public to introduce the content set out in the sub-paragraph (a) above, and information on macroeconomic conditions, market environment, industry segments, and sectoral trends in addition to general financial information, etc;
- d. provide hyperlinks on their websites or provide the addresses of the Partner Brokers webpages (without hyperlinks) on other media for Hong Kong clients who have opened dedicated investment accounts with the relevant Partner Brokers to log into and access the Partner Brokers' websites to obtain further information on individual investment products. The hyperlinks should link directly to the public websites of the Partner Brokers. The Participating LCs should display a clear message on their websites to remind the Hong Kong clients that the investment products offered by the Partner Brokers have not been authorised by the SFC and the relevant offering documents have not been reviewed by the SFC, and that investors should exercise caution in relation to such offer. When the Hong Kong clients click on the hyperlinks provided by the Participating LCs, a clear message should be prompted to remind the Hong Kong clients that they will be redirected to a website which is not operated by the Participating LCs; and
- e. offer gifts (including gifts specific for Cross-boundary WMC services) to Northbound Scheme clients. Participating LCs may also provide other promotional offers (including promotional offers specific for Cross-boundary WMC services), such as discounts/ waivers/ rebates for transaction/ remittance fees, other fees or charges, and more favourable exchange rates, etc.

Participating LCs may disclose in public marketing materials that they offer gifts and/ or provide promotional offers for Northbound Scheme investors opening dedicated remittance accounts (but the investors would need to check with the relevant Participating LCs for the details of such gifts and/ or promotional offers). Upon request by individual investors, Participating LCs may introduce the details of such gifts and/ or promotional offers for opening dedicated remittance accounts.

Nevertheless, the Participating LCs must be cautious that the information provided on the Northbound Scheme services should be factual and fair representations, and should not (i) involve solicitation or recommendation; (ii) constitute an offer to Hong Kong public in relation to individual investment products; or (iii) constitute active marketing of the Partner Brokers' Cross-boundary WMC services to the Hong Kong public.

Participating LCs **may not**:

- a. induce the Hong Kong public to open a dedicated investment account under the Northbound Scheme with a Partner Broker, or induce, through any media, the Hong Kong public to browse, via any hyperlinks or website addresses, the information of investment services and products provided by the Partner Broker;



- b. market or conduct the sale of investment products under the Northbound Scheme, or display or provide the information of individual investment products which are not authorised by the SFC to the Hong Kong public; or
- c. act as, or hold itself out as a representative or an agent of a Partner Broker in Hong Kong.

**Q13: What specific promotion and sales may Partner Brokers carry out under the Northbound Scheme?**

A13: When carrying out the promotion and sales activities, Partner Brokers should comply with relevant guidelines and rules promulgated by Mainland regulatory authorities.

In general, Partner Brokers may:

For promotion targeting at the Hong Kong public without a dedicated investment account and/ or dedicated remittance account under the Northbound Scheme

- a. display and provide the following on the Mainland (including the place of business or through appropriate ways such as telephone, video conferences, online platforms and media, etc):
  - (i) general information about the Cross-boundary WMC (including the scope and categories of eligible investment products, quota, funds remittance and transfer arrangements, and investor protection, etc);
  - (ii) factual representations on the Northbound Scheme services provided by the brokers (including operational arrangements of the Northbound Scheme services, detailed arrangements for opening a dedicated investment account under the Northbound Scheme, categories of investment products and relevant services provided by the Partner Brokers, contact details of the Partner Brokers, and the partnership arrangement between the Participating LCs and the Partner Brokers); and
  - (iii) broad description of the scope and categories of investment products under the Northbound Scheme, eg, number of products (including breakdown of number of products, such as number of funds by market or industry), nature, risks, features, fees and charges and range of return, etc.
- b. provide filtering function on their websites, mobile platforms and other electronic channels to allow the Hong Kong public to identify, in a self-directed manner, the eligible investment products provided by the Partner Brokers under the Northbound Scheme.
- c. upon request by individual Hong Kong investors, through appropriate ways such as telephone, video conferences, online platforms and media, etc, provide factual information on the services and individual investment products

- under the Northbound Scheme (including a list of investment products offered, offering documents/ prospectuses of individual investment products and product key fact statements), and respond to enquiries on investment services and individual investment products provided by the Partner Brokers under the Northbound Scheme (eg, explaining the features (such as underlying assets and past investment performance) and risks of individual investment products or certain product categories).
- d. provide information on macroeconomic conditions, market environment and industry segments in addition to general financial information, etc, as well as information such as that generally related to the Cross-boundary WMC, and send staff to participate (or invite fund companies that cooperate with them to jointly participate) in briefings and seminars organised by the Participating LCs in Hong Kong for Hong Kong public to explain the information mentioned in this paragraph and sub-paragraph (a) above.
  - e. disclose in public marketing materials that the Partner Brokers may provide promotional offers for Hong Kong investors opening dedicated investment accounts but they cannot proactively introduce the details of the promotional offers unless requested by the Hong Kong investors.
  - f. Partner brokers **may not** proactively market their Northbound Scheme services to the Hong Kong public or induce them to open a dedicated investment account under the Northbound Scheme (eg, proactively providing a link to the application form on their social media to Hong Kong public for opening a dedicated investment account under the Northbound Scheme); or provide a list of investment products under the Northbound Scheme or the information about individual investment products under the Northbound Scheme.

For distribution of investment products to clients with a Northbound Scheme account (including both dedicated investment account and dedicated remittance account)

- g. In general, Hong Kong clients may log in and access the websites or mobile platforms of the Partner Brokers, browse further investment product information under the Northbound Scheme and place instructions for the sale and purchase of eligible investment products, remittance or currency exchange, etc. Partner brokers should comply with guidelines of the relevant Mainland authorities when conducting transactions for clients, including conducting sales management.
- h. upon request by individual clients, provide a list of investment products offered under the Northbound Scheme and the information on individual products, and respond to the clients' enquiries on individual investment products.
- i. upon request by individual clients, and after considering their personal situation, conduct investment product screening, and introduce and explain the relevant information of these products (eg, the key features and risks, investment objectives and strategies of the products, etc).

- j. provide the clients with research reports produced by the brokers for reference, but the content therein should not involve any individual investment products.

Post-sale follow up

- k. proactively contact the clients to provide updates on their investment portfolios as well as the information on macroeconomic, market and industry conditions, etc, or the general financial and investment information and concepts. Subject to sub-paragraph (i) above, Partner brokers should establish a mechanism to ensure that the process of their interaction with the clients should not involve solicitation or recommendation; should not constitute an offer to the Hong Kong public in relation to individual investment products; and should not constitute active marketing by the Partner Brokers of their Cross-boundary WMC services to the Hong Kong public.
- l. may refer to the requirements in sub-paragraph (h) and (i) above in responding to the clients' enquiries on individual investment products.

For distribution of investment products to Hong Kong investors who are physically present on the Mainland

- m. For Hong Kong investors who are physically present on the Mainland, Partner Brokers should provide services to such investors in accordance with Mainland's laws, regulations and regulatory guidelines, and comply with the requirements set out in this document, including but not limited to the requirements on eligible investment products and quotas.

However, Partner Brokers should note that the content provided regarding the Northbound Scheme services should be factual and fair representations.

The information provided in relation to sub-paragraphs (a) – (h) above should not (i) involve solicitation or recommendation; (ii) constitute an offer to the Hong Kong public in relation to individual investment products; or (iii) constitute active marketing by the Partner Brokers/ their partner institutions of their Cross-boundary WMC services to the Hong Kong public.

As regards the sending of staff by Partner Brokers to participate in briefings and seminars organised by Participating LCs in Hong Kong for the Hong Kong public as mentioned in sub-paragraph (d) above, the Partner Brokers should not (i) market their Northbound Scheme services to the Hong Kong public; (ii) market or carry on regulated activities under the SFO, or involve individual investment products or circumstances of individual clients; or (iii) market their securities services to the Hong Kong public.

**Q14: In what specific ways may Participating LCs and Partner Brokers disclose the scope, categories and list of eligible investment products of their Northbound Scheme services?**

A14: (a) Partner brokers can provide filtering function on their websites to allow the Hong Kong public to identify, in a self-directed manner, the eligible investment products provided by the Partner Brokers under the Northbound Scheme, and/or provide a hard copy or electronic leaflet of the product list upon request by individual Hong Kong investors. The basic principle is that Participating LCs and Partner Brokers should not proactively display or proactively provide the list of eligible investment products under the Northbound Scheme to the Hong Kong public on their websites or by other means.

Participating LCs and Partner Brokers should also ensure that Hong Kong investors cannot directly purchase investment products under the Northbound Scheme through the online platforms of the Partner Brokers, unless such Hong Kong investors take multiple steps proactively, including completing the requisite account opening procedures and becoming the clients of the Partner Brokers;

(b) Participating LCs and Partner Brokers may proactively display and provide a general description of the number, nature, features, risks, fees and charges, and range of return, etc of each category of eligible investment products available under the Northbound Scheme to the public according to the Northbound Scheme services offered by the Participating LCs in Hong Kong and Partner Brokers on the Mainland respectively.

Taking funds as an example. Participating LCs and Partner Brokers may disclose:

- (i) the number of eligible funds under the Northbound Scheme offered by the Partner Brokers;
- (ii) a breakdown by categories of the eligible funds under the Northbound Scheme offered by the Partner Brokers and the related number of funds under each sub-type (such as the types of underlying investments (equity funds (eg, the type of equity markets), bond funds (eg, the investment grading of the underlying bonds), mixed funds), geographical locations of the underlying investments, risk rating as assigned by the Partner Brokers concerned, etc);
- (iii) the general risks associated with the funds;
- (iv) the range of fees and charges of the funds; and
- (v) the statistics related to the rate of return of the funds (such as historical average rate of return and median rate of return of the funds).

For information concerning individual investment products, the requirements set out in sub-paragraph (a) above should be followed.

In general, as individual investment products are not authorised under the SFO, Participating LCs and Partner Brokers should not proactively disclose the names and information of individual investment products to the Hong Kong



public. If the Hong Kong public make an enquiry with the Participating LCs on an individual investment product, Participating LCs should refer such enquiry to the Partner Brokers for handling.