



Details and Impacts of 16 Measures to Benefit Hong Kong in the Greater Bay Area Development

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On November 6, the Leading Group for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area announced 16 measures that benefit the people of Hong Kong. This article will analyze the background, main content and impacts of these measures.

I. Background of measures

1. Policy extension. The Outline Development Plan for the Greater Bay Area was officially introduced on February 18 this year. Subsequently, 8 measures involving tax calculation, youth entrepreneurship, facilitating convenient flow of people and goods, etc. were announced after the second plenary meeting of the Leading Group on March 1. These 16 new measures are indeed the extension of the Greater Bay Area policies introduced by the Central Government in recent years.

2. Overall considerations. 21 ministers and commissions in the Mainland, including the Taiwan Affairs Office of the State Council, jointly announced 26 measures on Taiwan affairs just two days before the launch of the 16 measures to benefit Hong Kong. These latest measures were regarded as the expansion and extension of the 31 measures on Taiwan affairs introduced last year, which responded to the key concerns by Taiwanese people and enterprises, as well as focused on economic and social hotspots. At the same time, measures to benefit Macao have been highly noted in the local community, and different sectors across the community expressed that they would render full support for implementation of the measures. Under the basic principle of the “one country, two systems”, the Central Government has successively introduced measures to benefit Hong Kong, Macao and Taiwan, reflecting considerations of overall national development.

3. Response to difficult time. The controversy of extradition bill since June has triggered discussions on various issues such as housing and land, youth upward mobility, wealth inequality, industrial structure, etc. The Hong Kong SAR Government has successively rolled out a series of relief measures to support enterprises and individuals. The latest Policy Address also proposed some ideas and measures, which were different from the past. The latest 16 measures aim to address the aforementioned problems, and provide Hong Kong more development opportunities in the Greater Bay Area.

II. Analysis of the main content

There are 4 characteristics of these 16 measures. Firstly, the measures emphasize on “people-oriented” nature, which are “visible, tangible and enjoyable” by the public. Secondly, the measures cover a wide range of areas, including education, finance, medical care, elderly care, housing, transportation, etc. Thirdly, the measures not only extend the existing pilot schemes (such as

opening Mainland bank account remotely by attestation), but also contain policy breakthrough (such as permitting the use of Hong Kong-registered drugs in designated Hong Kong-owned healthcare institutions and exploring the establishment of a cross-boundary wealth management scheme). Fourthly, the measures pay attention to details and operability, allowing the governments of Guangdong, Hong Kong and Macao to follow up and implement in a timely manner. In general, the latest measures can be divided into 3 categories, namely improving livelihoods, supporting industries and enhancing innovation and technology.

1. There are 7 livelihood-related measures, including property purchases by Hong Kong residents in the Greater Bay Area, ensuring the children of Hong Kong and Macao residents to enjoy same education as those of Mainland residents, opening up mobile electronic payment, opening Mainland bank account remotely by attestation, permitting the use of Hong Kong-registered drugs in designated Hong Kong-owned healthcare institutions, and facilitating foreigners traveling to and from the cities in the Greater Bay Area. In particular, exploring the establishment of a cross-boundary wealth management scheme is regarded as an important policy breakthrough .

(1) Property purchases by Hong Kong residents in the Greater Bay Area. Hong Kong residents will be treated as local residents in purchasing properties in the Greater Bay Area. They will no longer be required to provide evidence of their duration of residence, study or employment; nor will they have to meet conditions on the payment of individual income tax and social security.

In fact, Shenzhen and Guangzhou have successively introduced measures to facilitate Hong Kong residents to purchase properties locally. In Shenzhen, each Hong Kong family currently can purchase one property unit if they do not have other property ownership in Shenzhen. Also, Hong Kong residents are applicable for tax concessions as the local residents in Shenzhen after getting a marriage certification from designated law firms in Hong Kong and indicating the names of the spouse, adult children and ID card number. In Guangzhou, Hong Kong residents have been allowed to purchase a property unit after providing proof of employment and business since April 2018. The latest measure further expands such similar practices to all cities in the Great Bay Area, providing more destinations for Hong Kong residents to purchase properties in the Mainland.

In terms of demand, data from Census and Statistics Department showed that as of the end of 2017, the number of Hong Kong residents living in Guangdong for more than six months increased compared with 2013, with those aged 15-24 and over 65 increasing by 30% and 17% respectively. A survey on Hong Kong residents' overseas home ownership showed that in the first half of this year, 43% of respondents may purchase properties in the Mainland, up by 13.2% from six months ago. In terms of price level, property prices in Hong Kong remains elevated among the cities in the Greater Bay Area. However, the prices for second-hand properties among the cities in the Greater Bay Area are divergent. While property prices in Guangzhou and Shenzhen are over RMB 30,000 per square meter, property prices in Zhongshan, Huizhou, Foshan, Zhaoqing and Jiangmen are relatively low, making these destinations as attractive options for Hong Kong residents to purchase properties in the Greater Bay Area.

(2) Mobile electronic payment and opening bank account by attestation. The measures support the use of mobile electronic payment by Hong Kong residents in the Mainland. Meanwhile, banks in Mainland can open Types II or III Mainland personal bank accounts for Hong Kong residents remotely by attestation, through their branches or holding entities in Hong Kong.

With reference to the current usage of Hong Kong e-wallets in the Mainland, the UnionPay cloud

flash payment app in Hong Kong and Macao, which covered 80% of merchants in Guangzhou and Shenzhen, already took the lead in launching payment function in the Greater Bay Area. And, the Hong Kong versions of WeChat Pay and Alipay, each has over 100,000 users, also started similar payment function. It is believed that more Hong Kong e-wallets will be given further payment facilitation in the Greater Bay Area following the implementation of measures.

In March this year, Bank of China (Hong Kong) took the lead in providing remote bank account opening service. Hong Kong residents can open Mainland Type II and III bank accounts without the need to travel to the Mainland and Mainland address proof. The application process takes about 1 week. These two types of bank accounts have restrictions on outstanding balances and usage quotas, as they are mainly for small-amount payment. The latest measure are expected to not only facilitate consumption by Hong Kong residents in the Greater Bay Area, but also provide new business opportunities for banks in Hong Kong.

(3) Equal treatment in education. The measure ensures that Hong Kong residents or their children enjoy pre-primary education services in accordance with regulations at their place of residence, and that their children can participate in the senior high school entrance examination for senior high school admission.

In September 2016, Shunde Huaqiao Middle School initiated the “Hong Kong-Macao-Taiwan Class”. In 2017, the Education Bureau of Shenzhen stipulated that Hong Kong and Macao students can enter the local public schools according to the points system. In April this year, Guangzhou defined study measures for the children of Taiwan, Hong Kong and Macao residents. The latest measure will further clarify the relevant policies on the basis of aforementioned pilot schemes.

(4) The use of Hong Kong-registered drugs in designated Hong Kong-owned healthcare institutions. The measure would permit the use of Hong Kong-registered drugs and common medical devices in designated Hong Kong-owned healthcare institutions in the Greater Bay Area.

In recent years, the Hong Kong SAR Government has introduced a number of subsidy schemes to facilitate retirement of Hong Kong residents in the Mainland. However, the results have yet to be seen. The culprit is that cross-border medical services are not connected smoothly. The implementation of this measure is likely to make a breakthrough in existing drug clearance. It can solve the worries of the Hong Kong elderly in the Greater Bay Area and help the Hong Kong-owned healthcare institutions in the Greater Bay Area to ease cost pressure and expand the potential for high-end medical businesses.

(5) Facilitating foreigners traveling to and from the cities in the Greater Bay Area. Foreigners holding Hong Kong Permanent Identity Cards will be able to apply to the relevant Mainland authorities for a visa or permission for residence with a validity of up to two to five years.

According to the 2016 Population By-census results in Hong Kong, the non-Chinese population accounted for 7.7%, with Filipinos and Indonesians being the most. Since the introduction of “Regulations for Application of Residence Permit for Hong Kong, Macao and Taiwan Residents” last year, 200,000 Hong Kong residents have applied for the residence permit as of the end of September this year. The introduction of this new measure will provide a policy basis to facilitate foreigners in Hong Kong to stay in the Greater Bay Area just as convenient as Chinese Hong Kong residents.

(6) Cross-boundary wealth management scheme. It is set to explore the establishment of

a two-way wealth management connect mechanism in a risk-controlled manner with appropriate investor protection.

Regarding the development of Hong Kong's asset management industry, the number of institutions increased from 581 in 2013 to 640 in 2017, while business revenue rose from HKD 38.3 billion to HKD 46.3 billion and profit was up from HKD 7.6 billion to HKD 10.4 billion. A survey done by the Securities and Futures Commission in July this year showed that assets under management in Hong Kong reached HKD 23.96 trillion as of the end of 2018, of which 11% of funds came from the Mainland. In terms of the distribution of high-net-worth individuals, Guangdong has the largest number of wealthy and middle-class families and ranks at the forefront among provinces and cities in the Mainland. In January this year, a survey conducted by the Hong Kong Investment Funds Association on investment intention of residents in the Greater Bay Area showed that they would like to increase cross-border investment in the coming year, which will trigger demand for the scheme.

With reference to the operation of existing mutual financial market access mechanism between the Mainland and Hong Kong, the platforms of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect have developed progressively with proper risk control since their launch in more than 5 years before. Also, financial markets in the three places have achieved mutually beneficial development. Mutual Recognition of Funds between the Mainland and Hong Kong showed that net inflow of funds to the Mainland was much greater than that of net outflow of funds, which could be explained by the disparity in number of funds approved between the two places (50 in Hong Kong and 19 in the Mainland). So far, Bond Connect has only introduced northbound trading. Trading volume increased gradually with monthly transaction of RMB 347.9 billion in October this year. Given that cross-boundary wealth management scheme is still under review, it is expected that the scheme may reference on the close-ended operation mode as adopted by Stock Connect. As an upgrade and optimization of the existing mutual market access mechanism, cross-boundary wealth management scheme will cover more financial products and provide more diversified alternatives to investors. In terms of risk management, the scheme may impose restrictions on investment quotas, investor thresholds, etc. Moreover, operational issues such as starting Northbound first and Southbound later and launching the scheme in an easier manner first are also under discussion.

2. There are 6 measures to support professional services, involving mutual recognition of legal, construction and insurance qualifications, extension of preferential period and business development. The measures aim to continue their pilot functions of the Greater Bay Area policy, and deepen the co-operation between the Mainland and Hong Kong under the CEPA framework.

(1) Legal industry. The measure allows Hong Kong legal practitioners to be employed as legal consultants by one to three Mainland law firms simultaneously. The approval requirement for the employment of Hong Kong legal practitioners as legal consultants is changed to a filing requirement, and annual registration is no longer required. Moreover, eligible Hong Kong legal practitioners, upon passing a special examination, will be qualified for practice in the Greater Bay Area. The measures reflect that mutual recognition of lawyers' qualifications in the two places is carrying out progressively.

(2) Construction industry. The new measure will facilitate the renewal of construction professionals' qualifications obtained under the mutual recognition arrangement, and enable architects and structural engineers who are members of relevant professional institutes in Hong Kong to commence work on the mutual recognition of membership with corresponding institutes in the Mainland. In addition, the new measure will enable Hong Kong people who have obtained relevant

professional qualifications to extend their areas of services from Guangdong, Guangxi and Fujian to all provinces of the Mainland. In view of this, the measure will provide more professionals to support infrastructure construction in the Greater Bay Area.

(3) Insurance industry. The China Banking and Insurance Regulatory Commission has agreed to extend the preferential treatment under the “China Risk Oriented Solvency System” for one year until June 30, 2020. Also, the measures will remove the requirement on years of operating experience for Hong Kong service suppliers to provide insurance loss adjusting services on the Mainland, support Mainland insurers to issue catastrophe bonds in Hong Kong and Macao by relaxing the requirements for establishing special purpose insurers. It is believed that market and business potential for insurance industry in Hong Kong could be further expanded.

3. There are 3 measures to support the development of innovation and technology, including the development of the Shenzhen-Hong Kong Innovation and Technology Co-operation Zone from four aspects, facilitating customs clearance of imported animal-derived biomaterials, as well as relaxing the limitation on exporting Mainland human genetic resources to Hong Kong and Macao.

(1) The measure will promote innovation and technology co-operation between Shenzhen and Hong Kong in terms of talents, capital, goods and information. In particular, the Chinese Academy of Sciences will set up a representative institution and establish a Greater Bay Area academician alliance in Hong Kong. Moreover, the existing “Single E-lock Scheme” and “Hong Kong Authorized Economic Operator Programme” will continue to progress.

(2) The measure to facilitate clearance and circulation of biomaterials in the Greater Bay Area will strengthen exchanges between Guangdong and Hong Kong tertiary institutions and promote scientific research projects by State Key Laboratories.

III. Positive Impacts in the medium to long term

Some technical and operational details of the 16 measures have to be further defined in the short term. Nevertheless, positive impacts and benefits will gradually emerge in the medium to long term.

1. The gradual implementation of the aforementioned measures will further facilitate two-way flows of talents, capital, goods and information between Hong Kong and other cities in the Greater Bay Area, achieving connectivity in terms of infrastructure and mechanism.

2. Following the gradual introduction of measures to improve people’s livelihood, the people of Hong Kong will have more opportunities to share the benefit of economic development in the Mainland, and see alternate solutions on addressing the retirement, housing and other tough issues.

3. Hong Kong can give full play to its role as an international financial center, as well as promoting financial collaboration and development in the Greater Bay Area by the breakthrough from cross-boundary wealth management scheme. If it is successfully promoted, it will serve as a new model for further mutual financial connectivity between the Mainland and Hong Kong.

4. In the context of persistent China-US trade disputes, the development of the Greater Bay Area as an international innovation and technology center will not only facilitate complementary and coordinated economic development between Guangdong and Hong Kong, but also contribute to the economic restructuring and sustainable development of Hong Kong.