

19 November 2020

2020年11月19日

Attn:

敬启者:

Ms. Meng Yuying
Director General
International Tax Department
State Taxation Administration (STA)

蒙玉英司长
国家税务总局
国际税务司

Re: Tax Exemption for Hong Kong Residents on Investments via the Cross-boundary Wealth Management Connect

关于：跨境理财通下香港居民投资享受免税待遇的建议

Dear Ms. Meng,
尊敬的蒙司长：

On behalf of the Asia Securities Industry & Financial Markets Association (“ASIFMA”)¹, we refer to our recent submission to the Hong Kong Monetary Authority (“HKMA”) and the Securities and Futures Commission (“SFC”) of Hong Kong on 9 November 2020 regarding the implementation arrangements for the cross-boundary Wealth Management Connect (“WMC”) Pilot Scheme in the Greater Bay Area. The submission is attached to this letter for your reference.

我们谨代表亚洲证券业与金融市场协会 (“ASIFMA”) ²，希望向贵司提及我们于2020年11月9日向香港金融管理局 (“HKMA”) 和香港证券及期货事务监察委员会 (“SFC”) 提交的关于大湾区跨境理财通 (“WMC”) 试点计划实施安排的意见与建议 (随本函附上供贵司参考)。

Referring to the Section 1 “Taxation” in the attached letter, we would like to take this opportunity to highlight that conducive tax policy is often an important determinant of the success of cross-border investment schemes. ASIFMA members wish to reiterate that the tax treatment of investors under

¹ [ASIFMA](#) is an independent, regional trade association with over 135 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative and competitive Asian capital markets that are necessary to support the region’s economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the [GFMA](#) alliance with [SIFMA](#) in the United States and [AFME](#) in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

² ASIFMA 是一家独立区域性贸易协会，有 135 多家成员企业，由诸多行业领先的买方和卖方金融机构构成，包括银行、资产管理公司、律师事务所和市场基础设施服务提供商。

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the WMC should be simple to understand, easy to implement and reciprocal as between the Mainland, Hong Kong and Macau. In this regard, we recommend broad tax exemption, including exemptions on corporate income tax, individual income tax and value added tax on any income, capital gains and distributions derived from all investments made under the scheme. Tax rules that are complicated and unclear will have especially adverse impact on individual investors as they do not have the sophistication or resources to handle the complexities. If you have further questions related to WMC and our suggestions, we would be pleased to engage in further discussion with you. (Please feel free to add back if you want to keep the withholding / reporting mechanism)

如随附信函中第一节“税收”所述，我们想借此机会强调税收优惠政策是跨境投资计划成功的重要决定因素。ASIFMA成员希望重申，粤港澳大湾区的跨境理财通下对投资者的税收政策应该是简单易懂，易于实施和互惠的。谨此，我们建议广泛的免税政策，包括免征透过跨境理财通下取得的所有投资收益、转让所得及分配所得涉及的中国企业所得税，中国个人所得税以及中国增值税。由于个人投资者没有能力或资源来应对复杂而不清楚的情况，复杂的税收规则将对他们产生不利的影晌。如贵司对粤港澳大湾区的跨境理财通及我们的建议有任何问题，我们很高兴与贵司进行进一步的沟通。

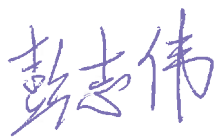
ASIFMA members warmly welcome the efforts of the STA to continuously improve the China capital market investment environment, and the various measures being taken to further open-up the China financial services sector for foreign investors. For further information, please contact Patrick Pang (ppang@asifma.org or +852 2531 6522).

ASIFMA的成员在此衷心感谢国家税务总局为持续完善中国资本市场投资环境和进一步向外国投资者开放中国金融市场所做的努力。如需了解更多信息，请联系彭志伟先生（电邮地址：ppang@asifma.org 或电话 +852 2531 6520）。

Yours sincerely,

此致

敬礼



Patrick Pang
Managing Director and Head of Compliance and Tax
ASIFMA

彭志伟
董事总经理，法规事务及税收部主管
亚洲证券业与金融市场协会

9 November 2020

To: Alan Au
Executive Director, Banking Conduct
Hong Kong Monetary Authority

Archie Ng
Head, External
Hong Kong Monetary Authority

Florence To
Head, Banking Conduct Division 1
Hong Kong Monetary Authority

Trevor Lee
Senior Director, Investment Products
Securities & Futures Commission

Linda Yiu
Director, Intermediaries Supervision
Securities & Futures Commission

Derek Shek
Director, Licensing
Securities & Futures Commission

Dear HKMA and SFC,

AAMG comments on the Implementing Arrangements for the Cross-boundary Wealth Management Connect Pilot Scheme

On behalf of the Asset Management Group (“**AAMG**”) of Asia Securities Industry & Financial Markets Association (“**ASIFMA**”)¹, we would like to thank you for inviting AAMG to the industry briefings, in Cantonese on 29 October and in English on 4 November (the “**Briefings**”), on the Implementing Arrangements for the Cross-boundary Wealth Management Connect (“**WMC**”) Pilot Scheme (the “**Implementing Arrangements**”).

As noted in our comments on the WMC policy framework submitted to you on 16 September, we and our members welcome the introduction of the WMC in the Greater Bay Area and would like to work hand-in-hand with you to help make the WMC as successful as the Mainland-Hong Kong Stock Connect schemes and the Mainland-Hong Kong Bond Connect scheme.

We wish to thank you for sharing with us the details of the proposed Implementation Arrangements (in Chinese), which are set out in the following:

¹ ASIFMA is an independent, regional trade association with over 130 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative, competitive and efficient Asian capital markets that are necessary to support the region’s economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the United States and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

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- Initial draft of the Notice on the Implementing Rules
- Annex 1 with the Supervisory Requirements for Southbound WMC (“**Annex 1**”)
- Annex 2 with the Supervisory Requirements for Northbound WMC (“**Annex 2**”)
- Appendix with the FAQs on the WMC (“**FAQs**”)

We note that the details of the proposed Implementation Arrangements are consistent with the WMC policy framework that you had shared with us earlier. We also note that the Implementation Arrangements do not address any of our comments and suggestions set out in our 16 September submission to you (the “**Previous Submission**”), such as (i) clarifying the *product scope* such as what are *low and medium risk products* as different banks in Hong Kong may or not may not consider equities funds in these categories, (ii) increasing the *individual quota*, (iii) simplifying the cross-border *account opening* process, and (iv) facilitating the *dissemination of product information* to cross-border investors without it amounting to product solicitation or recommendation. We trust that this is due to your desire to share the details of the draft Implementation Arrangements with the industry as soon as possible and that our previous comments and suggestions are still under consideration.

In this letter, we would like to supplement the Previous Submission with the following comments and suggestions, particularly in respect of the Southbound WMC:

1. Taxation

Conducive tax policy is often an important determinant of the success of cross-border investment schemes. We wish to reiterate that the tax treatment of investors under the WMC should be simple to understand, easy to implement and reciprocal as between the Mainland, Hong Kong and Macau. In this regard, we recommend broad tax exemption, including exemptions on corporate income tax, individual income tax and value added tax on any income, capital gains and distributions derived from all investments made under the scheme, as this will make them similar to the Mainland-Hong Kong Mutual Recognition of Funds (“**MRF**”) and the Stock Connect and Bond Connect schemes. Tax rules that are complicated and unclear will have especially adverse impact on individual investors as they do not have the sophistication or resources to handle the complexities. We are happy to discuss with the relevant tax authorities directly to clarify the tax withholding and/or reporting mechanism both for individual investors as well as for banks and any relevant intermediaries.

2. Product display

Article 9.1 of Annex 1 provides that Hong Kong banks may display on their website and communication channels in Hong Kong their Southbound WMC services which include the operational arrangement and product types of the Southbound WMC, other related services provided by them and their cooperation relationship with their Mainland partner bank. Such display can also include a general description of their product scope and types such as the number of products, type, risk, specialty, charges and returns, etc.

However, to help Mainland investors decide or choose with which Hong Kong bank they should open a WMC investment account, we believe that it would be helpful for Mainland investors to see all the Southbound WMC products that a particular Hong Kong bank offers. To do so, we suggest that the Mainland partner banks be allowed to display on their website and communication channels all the Southbound WMC products of their Hong Kong partner bank(s) and not just the general type of products being offered as suggested in the response to Q10 of the FAQs.

With the display on the Mainland partner banks' website of all the available products of their Hong Kong partner banks that Mainland investors can choose from under the Southbound WMC, there would be little risk of promoting any particular product but rather more transparency on the choice of Hong Kong banks and WMC products available from such banks.

In addition, we suggest that the hyperlink to the Hong Kong bank's website from the Mainland partner bank's website should not be limited to existing customers of the Hong Kong bank as prospective investors may be just as interested to see what Southbound WMC products different Hong Kong banks are offering.

3. Account opening

We urge the relevant regulators to re-consider the requirement for Southbound WMC investors to come in person to Hong Kong to open an investment account with a Hong Kong bank as this will be troublesome, particularly in light of the COVID 19 situation with mandatory quarantine requirements that would certainly discourage people from travelling across the border. We strongly suggest that at least this requirement be waived for those investors who are already clients of Hong Kong banks since such banks would have already conducted their KYC and due diligence on such clients.

4. Feeder funds

We understand from the first Briefing that Chapter 7 funds may invest 90% or more of its total asset value in a single collective investment scheme subject to certain conditions. It would be helpful and appreciated if the FAQs (or separate FAQs from the SFC) can clarify if the Southbound WMC products would be treated like any other Chapter 7 funds.

5. Role of fund managers

While we understand that the WMC is basically a connect scheme involving bank participants, we think that it would be helpful to clarify what fund managers can or cannot do.

Involvement in the WMC

For example, there is nothing in Annex 1 and the FAQs on what Hong Kong managers of Southbound WMC products can say about their involvement in the Southbound WMC, such as the type or specific products offered by them thereunder, their Mainland partner banks and their arrangements with such banks. It would be helpful if the FAQs (or separate FAQs from the SFC) can confirm that Hong Kong fund managers can discuss in Hong Kong, include in their Hong Kong marketing materials, display on their website or communication channels, or provide general information about their involvement in the Southbound WMC, including but not limited to a list of the products offered by them thereunder.

Participation in cross-border briefings and workshops

We note that Article 9.2 of Annex 1 provides that Hong Kong banks may send representative(s) to participate in the briefing sessions and discussion workshops in the Mainland organized by their Mainland partner bank for the Mainland public to explain the macro-economic and market environment, industry sectors, sector trends or general financial information. We understand that such explanation should not amount to any product solicitation, recommendation or marketing.

As it is common in Hong Kong for banks to invite fund managers to speak about the macro-economic and market environment as well as market trends and their investment strategies (as opposed to

specific products), we would like to suggest that Hong Kong banks be allowed to bring along representatives of managers of Southbound WMC products to the briefings and workshops organized by their Mainland partner banks as long as there is no solicitation, recommendation or marketing of any specific product by either representatives of the Hong Kong bank or manager of Southbound WMC products.

Response to Mainland investor inquiries

We note also that there is nothing in Annex 1 and the FAQs that address how queries from Mainland investors about the Southbound WMC funds purchased by them should be handled. For example, may the Hong Kong bank provide such investors with basic contact information of the Hong Kong manager of the funds purchased by such investors? And may the Hong Kong manager respond to these queries just like they would from a Hong Kong investor? It would be helpful if the FAQs (or separate FAQs from the SFC) can address these two questions.

6. MRF quota and 50/50 AUM requirements

As some products approved under the MRF scheme may also be eligible under the Southbound WMC, it would be helpful if the FAQs (or separate FAQs from the SFC) can clarify how investments in the same product through the two schemes will be treated for MRF and Southbound WMC quota requirements and the MRF's 50/50 AUM requirement.

Our members would like to see the WMC succeed and our comments and suggestions are made in that light. We hope that you will consider our suggestions carefully and we look forward to engaging further with you on refining the Implementation Arrangements. If you have any questions regarding any of our comments, please feel free to contact the undersigned at eshen@asifma.org or Tel: +852 2531 6570.

Yours sincerely,



Eugenie Shen
Managing Director and Head of Asset Management Group
Asia Securities Industry & Financial Markets Association