

For information  
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**Legislative Council Panel on Commerce and Industry  
Subcommittee on Issues Relating to the Stimulation  
of Hong Kong's Economy**

**Initiatives to promote Hong Kong's professional services active  
participation in the "domestic circulation" through the amended  
Agreement on Trade in Services under the Mainland and Hong Kong  
Closer Economic Partnership Arrangement (CEPA)**

**Purpose**

This paper briefs Members on the new liberalisation measures in the banking, securities, construction and related engineering as well as legal services under the amended CEPA Agreement on Trade in Services (the Services Agreement) which gives Hong Kong's professional services preferential treatment to tap into business opportunities in the Mainland market under the country's "domestic circulation" development pattern.

**Background**

2. The Mainland and Hong Kong signed CEPA in 2003. Since then, the two sides continuously broadened and enriched the content of CEPA. CEPA has now become a comprehensive and modern free trade agreement (FTA) and is also the most liberal FTA signed by the Mainland. CEPA is underpinned by four subsidiary agreements, namely the Agreement on Trade in Goods, the Services Agreement, the Investment Agreement, and the Agreement on Economic and Technical Cooperation, covering all facets of our economic and trade relationship with the Mainland and promoting further liberalisation and facilitation of trade and investment between the two places. On trade in services, from the implementation of CEPA in 2004 to 2019, the total services trade between Hong Kong and the Mainland recorded an annual average growth rate of about 4%, reaching HKD 521.4 billion and accounting for about 37.7% of Hong Kong's total external services trade in 2019.

3. The Outline of the 14<sup>th</sup> 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 (the 14<sup>th</sup> Five-Year Plan) proposes to accelerate the development of a modern industrial system, enhance the modernisation level of the industrial chains and supply chains, promote the prosperous development of the services industry, build a strong domestic market, enhance the domestic circulation, promote a positive interplay between the domestic and international circulations, accelerate the establishment of a comprehensive system of domestic demand, boost consumer spending across the board, unlock the potential for investment, stimulate the vitality of various market entities, build a high-standard market system, and carry out high-level opening-up. The aforementioned measures will enlarge the scale of the Mainland services market, and increase the demand for quality and internationalised professional services on the Mainland.

4. Meanwhile, the 14<sup>th</sup> Five-Year Plan promotes Hong Kong services industry for high-end and high value-added development, supports Hong Kong to participate in and contribute to the country’s comprehensive opening-up and the development of a modern economic system, deepens the economic and trade cooperation between the Mainland and Hong Kong, as well as deepens and widens the mutual access between the financial markets of the Mainland and Hong Kong.

5. Hong Kong is a highly externally-oriented, professional, diversified and international service economy. Our professional services enjoy a substantial international competitive edge, benchmarking against international standards and practices. They can strengthen the intermediary role of Hong Kong for it to become a “facilitator” in the international circulation, on the one hand assisting foreign enterprises in tapping into the Mainland market, and also help Mainland enterprises “go global”. The presence of Hong Kong’s professional services in the Mainland market will also help meet the great demand for professional services generated by the domestic circulation, allowing Hong Kong to become a “participant” in the domestic circulation. The 14<sup>th</sup> Five-Year Plan is conducive to promoting the development of Hong Kong’s high-end services industry, bringing the competitive advantage of Hong Kong’s professional services into full play, and providing more room for Hong Kong trade and professionals to excel in the Mainland market.

## **Amendments to the Services Agreement**

6. The Services Agreement implemented since June 2016 is one of the subsidiary agreements under the CEPA framework. It has integrated and consolidated the liberalisation and facilitation measures related to trade in services under CEPA over the years. The Mainland has fully or partially opened up 153 sectors to Hong Kong services industry, accounting for 96% of all the 160 services sectors. Compared with other FTAs signed by the Mainland, the Services Agreement provides Hong Kong services and service suppliers with the most preferential treatment for entering the Mainland market.

7. An agreement to amend the Services Agreement (the Amendment Agreement) has been smoothly implemented since 1 June 2020. The Amendment Agreement further enhances the Mainland's level of liberalisation on trade in services for Hong Kong, and lowers the thresholds for market access to the Mainland for Hong Kong service suppliers such that the local trade may better participate in the development of the Mainland market. The new liberalisation measures under the Amendment Agreement cover various sectors and industries such as legal, insurance, banking, securities, accounting, construction and related engineering, testing and certification, education, telecommunications, television, motion pictures, tourism and transport, etc. They make it easier for Hong Kong service suppliers to set up enterprises and develop business on the Mainland, and allow more Hong Kong professionals to obtain qualifications to practise on the Mainland and more Hong Kong quality services to be provided to the Mainland market. The liberalisation measures take various forms, including removing or relaxing restrictions on equity shareholding, capital requirements and business scope in the establishment of enterprises; relaxing qualification requirements for provision of services by Hong Kong professionals; and relaxing the geographical and other restrictions for the exports of Hong Kong services to the Mainland market.

8. The Amendment Agreement not only contains liberalisation measures applicable on the whole Mainland but also some measures for pilot implementation in the nine Pearl River Delta municipalities<sup>1</sup> of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) or the China (Guangdong) Pilot Free Trade Zone. The level of liberalisation of trade in services between Guangdong and Hong Kong is further enhanced, allowing

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<sup>1</sup> Guangzhou Municipality, Shenzhen Municipality, Zhuhai Municipality, Foshan Municipality, Huizhou Municipality, Dongguan Municipality, Zhongshan Municipality, Jiangmen Municipality and Zhaoqing Municipality in Guangdong Province.

Hong Kong to better integrate into the overall development of the country. On the one hand, it proactively meets the keen demand for Hong Kong's professional services arising from the development of the GBA. On the other hand, it facilitates Hong Kong service suppliers to actively tap the enormous potential of the Mainland services market and creates more business opportunities.

### **New liberalisation measures in banking, securities, construction and related engineering as well as legal services under the Amendment Agreement**

9. At the request of the Subcommittee, the new liberalisation measures related to the four sectors of banking, securities, construction and related engineering as well as legal services under the Amendment Agreement are set out below -

#### Banking services

- (1) to allow Hong Kong-funded banks to take capital guarantee deposits for Mainland insurance companies;
- (2) to allow foreign bank branches established by Hong Kong service suppliers to conduct foreign currency or Renminbi (RMB) businesses, including acting as an agent for issuance, payment and underwriting of government bonds; acting as a receiving and paying agent; as well as accepting time deposits of no less than RMB 500,000;
- (3) to allow Hong Kong service suppliers to invest, upon approval, in trust companies, financial asset management companies, corporate group finance companies, financial leasing companies, automotive finance companies, money brokerage companies and consumer finance companies;
- (4) to launch cross-boundary financial management pilot programmes that support Mainland residents in the GBA in purchasing wealth management products sold by Hong Kong banks, through Hong Kong banks, and Hong Kong residents in purchasing wealth management products sold by Mainland banks, through Mainland banks in the GBA;

- (5) to study the launch of Southbound Trading under Bond Connect;
- (6) to support Hong Kong-funded non-bank payment institutions to conduct electronic payment business on the Mainland;
- (7) to remove the requirement of no less than US\$6 billion total assets preceding application for the sole or majority shareholder of a wholly foreign-funded bank or a Chinese-foreign joint venture banks, and a foreign bank applying to establish a foreign bank branch;
- (8) to remove the requirement of no less than US\$1 billion total assets for the foreign equity investor of a trust company;
- (9) to remove the restrictions on shareholding percentages in a Chinese commercial bank, rural commercial bank, rural cooperative bank, rural credit union and financial asset management company;

#### Securities

- (10) to actively study the feasibility of enhancing the Mainland-Hong Kong mutual recognition of funds arrangement;
- (11) to enhance the variety of products under the Mainland-Hong Kong Stock Connect and allow companies with weighted voting rights structure as listed in Hong Kong to be included as eligible securities under Stock Connect upon fulfilment of certain criteria;
- (12) to consider extending the scope of eligible products under the mutual market access programme by including ETFs (i.e. exchange-traded funds);

#### Construction and related engineering services

- (13) to extend the Mainland locations where Hong Kong professionals of the construction and related engineering services sectors who have obtained the Mainland's related qualifications either through mutual recognition or examination are allowed to register and practise from Guangdong, Guangxi and Fujian to the whole Mainland;

- (14) for architects and structural engineers registered in Hong Kong who were employed by Mainland construction and related engineering enterprises, the assessment of their qualification requirement for being the key professionals is relaxed to take into consideration their academic qualifications, years of practice in construction design, the Hong Kong registration qualification, the performance and reputation in the construction design sector etc., but not their titles;
- (15) Hong Kong service suppliers are allowed to complete all the mandatory courses of continuing education for mutual recognition of professional qualifications in Hong Kong;
- (16) to renew the expired agreements for mutual recognition of professional qualifications, including agreements of structural engineers, planners, building surveyors and architects;
- (17) to arrange for mutual recognition of qualifications between architects, structural engineers who possess the membership of professional institutions in Hong Kong and those possessing the relevant membership of corresponding institutions on the Mainland;
- (18) to allow professionals who have obtained the qualification of General Practice Surveyors in Hong Kong to directly register for practice in Qianhai of Shenzhen, Hengqin of Zhuhai and Nansha of Guangzhou and enable them to provide property valuation services;
- (19) to remove the restriction that the Mainland party shall be the controlling shareholder for the construction, operation and overall architectural works of integrated water networks;

#### Legal services

- (20) to remove the restriction on the minimum sole or joint capital input ratio (30% before the removal) of law firms of the Hong Kong side for partnership associations set up by Hong Kong and Mainland law firms. The measure is applicable on the whole Mainland and beneficial to small and medium-sized law firms to enter the Mainland legal services market by way of partnership associations;

- (21) for partnership associations set up in the Guangdong Province -
  - (a) Mainland lawyers can handle and undertake legal matters on administrative litigation related to the application of Mainland law;
  - (b) Mainland and Hong Kong lawyers can be employed directly in partnership associations' own name; and
  - (c) the requirements on the number of seconded lawyers can be suitably reduced;
- (22) to allow Hong Kong legal practitioners (means Hong Kong barristers and solicitors) to be employed on the whole Mainland as legal consultants by not more than 3 Mainland law firms simultaneously;
- (23) to change the original approval requirement for the employment of Hong Kong legal practitioners as legal consultants to filing procedures. Annual registration is also not required; and
- (24) to allow Hong Kong legal practitioners to obtain practice qualifications in the nine Pearl River Delta municipalities of the GBA by passing the GBA Legal Professional Examination and to engage in matters on specific areas of Mainland law.

## **Implementation of the Services Agreement**

10. The Hong Kong Special Administrative Region (HKSAR) Government attaches great importance to the effective implementation of CEPA. We have been working closely with the Mainland authorities at central, provincial and municipal levels, and have made use of the established mechanisms with the Ministry of Commerce to actively address and follow up on problems encountered by our trade in using CEPA liberalisation measures on the Mainland. In addition, in order to facilitate the trade's use of CEPA liberalisation measures on the Mainland, the HKSAR Government has been proactively liaising with chambers of commerce, professional bodies and industry organisations to introduce to the trade details of new liberalisation measures under CEPA through various channels, with a view to strengthening the trade's understanding of the new liberalisation measures and related implementation arrangements. From the implementation of CEPA in 2004

to the end of May 2021, the Trade and Industry Department (TID) issued about 3,340 Hong Kong Service Supplier Certificates under CEPA to help the trade make use of CEPA in entering the Mainland services market.

11. To provide one-stop facilitation to the trade, TID has also set up a dedicated website on CEPA to provide an information database on services by sectors. Hong Kong enterprises and professionals may refer to the database for the latest liberalisation measures and relevant Mainland rules and regulations of their respective sectors, as well as frequently asked questions, so that they can utilise CEPA to develop their Mainland businesses. The trade can also enquire about CEPA issues or specific cases through TID, which will collaborate with the policy bureaux concerned and follow up with the Mainland authorities.

### **Further development of CEPA**

12. CEPA is a modern FTA whose content has been enriched and updated continuously to actively tie in with the pace and needs of the economic and trade development in the two places. On the basis of the existing CEPA, the HKSAR Government will seek to promote closer economic and trade cooperation in collaboration with the Mainland, and continue to discuss with the Mainland authorities new subjects for cooperation and new liberalisation measures, with a view to seeking room and opportunities for business development for the trade on the Mainland, so as to enable Hong Kong enterprises and professionals to better complement the country's economic development and "dual circulation" strategy during the 14<sup>th</sup> Five-Year Plan period. The trade may relay their views to relevant policy bureaux and departments on any suggestions to further liberalise the Mainland market under CEPA. We will co-ordinate the new measures proposed by relevant policy bureaux and departments and pass them to the relevant Mainland authorities for consideration through the Ministry of Commerce under the established mechanism, also actively follow up accordingly.

### **Conclusion**

13. The Amendment Agreement creates more favourable conditions and opens up more channels for Hong Kong service suppliers to thrive in the Mainland market amidst the hard hit of the pandemic and the uncertain prospects of the global economy. The Amendment Agreement lowers the



thresholds for market access, helps sustain the first-mover advantage of our trade in establishing foothold in the Mainland market, and ensures that Hong Kong service suppliers and their services will continue to enjoy the most preferential treatment and most favourable conditions for development on the Mainland, thus enabling them to have broader and deeper access to the Mainland market at a lower cost for participation in the development of the Mainland, and to contribute to the development of the GBA. We will continue to seek to introduce more liberalisation measures that will benefit Hong Kong businesses under the CEPA framework so as to facilitate Hong Kong businesses to enter the Mainland market and to actively participate in the domestic circulation and facilitate the international circulation.

### **Advice sought**

14. Members are invited to note this paper.

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