
MUTUAL ACCESS OF THE FINANCIAL MARKETS IN THE GREATER BAY AREA: A MACAO PERSPECTIVE

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I. INTRODUCTION

The concept of the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”) is currently a hot topic in China, the Central government stressed the importance of developing the GBA and it is indeed included in the national development strategic plan. China has planned for each municipality in consideration of their historical background, strengths and weaknesses, anticipating with collaborative efforts to complement each other will bring positive results for economic developments. Therefore, connectivity and mutual access to each other’s market is extremely important and this note explores different policies where the Central government has implemented in terms of connectivity for the financial industry within the GBA and with special focus in a Macao perspective.

The paper primarily explores the historical background of Macao in shaping the city as it is today; resulting in an imbalanced industrial structure which is not beneficial to the overall development of the city, especially in times of the pandemic where most of the businesses in Macao are seriously affected. The second part of the paper examines the Policy Address of the Macao government in 2021 and 2022 and the call for diversification of the industrial structure for Macao; and the importance of strengthening other industries in order to achieve a sustainable economic development. The third part of the paper examines the legal regime of the GBA and the policies implemented between the Chinese mainland and Macao; and the co-operation for the construction of the Hengqin Guangdong-Macao In-depth Cooperation Zone. The fourth part of the paper examines different types of schemes implemented for mutual market access between the Chinese mainland and the Special Administrative Regions including the Cross-Boundary Wealth Management Scheme, Stock Connect Scheme which promotes connectivity between the Stock Exchanges in China and finally different mutual access schemes which promote the connectivity between Macao’s bond market with that of the Chinese mainland and of Europe. The paper concludes with suggestions for the further development of Macao’s financial industry.

II. MACAO FINANCIAL SYSTEM

Since the handover of Macao from Portugal to China on 20 December 1999, Macao has been established as a Special Administration Region (“SAR”) of China and has exercised a high degree of autonomy and enjoys executive,

legislative and independent judicial power,¹ and has successfully practiced the principle of “one country, two systems”.² The opening of the gaming industry from a monopoly into three concessionaires and three sub-concessionaires have given Macao the opportunity to position itself as a World Center of tourism, leisure, exhibition and convention.³ As a former colony of Portugal, the unique historical background and cross- cultural characteristics of Macao has given this SAR the advantage to act as the platform between China and Portuguese – speaking countries in the development for business and trade. Also due to the advantages that Macao’s legal system originated from that of Portugal (which belongs to the Romano-Germanic family of law), and that Macao is a free port for international trade, Macao’s economy has ever since performed a continuous development and growth driven by the gaming industry and tourism,⁴ and the residents’ lives have continued to improve.⁵

Macao as a micro-economy has a population of 683,200 and with an industrial structure consisting of the gaming industry (51.02%),⁶ real estate activities (8.84%), the construction sector (3.10%), wholesale & retail trade (5.64%), financial activities (banking, insurance & pension funding) (6.85%), and renting & business activities (4.32%). These sectors made up relatively

¹ Aomen Tebie Xingzhengqu Jiben Fa (澳门特别行政区基本法) [The Basic Law of the Macao Special Administrative Region] (promulgated by the Nat’l People’s Cong., Mar. 31, 1993, effective Dec 20, 1999), art. 2 (Chinalawinfo).

² *Id.* art. 5.

³ See Yulechang Xingyun Bocai Jingying falv Zhidu (娛樂場幸運博彩經營法律制度) [Legal Framework for the Operations of Casino Games of Fortune] (promulgated by the Chief Executive of Macao, July. 14, 2022, effective July. 14, 2022) (Chinalawinfo). See also Guifan Yulechang Xingyun Bocai Jingying Piji de Gongkai Jingtou Piji Hetong, Yi Ji Canyu Jingtou Gongsi he Chengpi Gongsi de Shidang Zige ji Caili Yaojian (規範娛樂場幸運博彩經營批給的公開競投、批給合同，以及參與競投公司和承批公司的適當資格及財力要件) [Stipulating the Open Bidding for the Operation of Casino Games of Fortune and the Eligibility and Financial Capability of the Companies that Participated in the Tendering Process] (promulgated by the Chief Executive of Macao, July. 1, 2022, effective July. 1, 2022) (Chinalawinfo).

⁴ International Monetary Fund, *People’s Republic of China—Macao Special Administrative Region : 2019 Article IV Consultation Discussions-Press Release; Staff Report; and Statement by the Executive Director for Macao SAR* (May 6, 2019), <https://www.imf.org/en/Publications/CR/Issues/2019/05/06/Peoples-Republic-of-China-Macao-Special-Administrative-Region-2019-Article-IV-Consultation-46867> (last visited Dec. 24, 2022).

⁵ Xi Jinping Zai Qingzhu Aomen Huigui Zuguo Ershi Zhounian Dahui Ji Aomen Tebie Xingzhengqu Diwuji Zhengfu Jiuzhi Dianli de Jianghua (习近平在庆祝澳门回归祖国20周年大会暨澳门特别行政区第五届政府就职典礼上的讲话) [Speech of President Xi Jinping at the Celebration of the 20th Anniversary of Macao’s return to the motherland and the inauguration ceremony of the fifth government of Macao SAR], XINHUA NET (Dec. 20, 2019), http://www.xinhuanet.com/politics/leaders/2019-12/20/c_1125371345.htm (last visited Dec. 24, 2022).

⁶ MENG U IEONG et al., *MACAU 20 YEARS AFTER THE HANDOVER: CHANGES AND CHALLENGES UNDER “ONE COUNTRY, TWO SYSTEMS.”* (pages 1-8) (Meng U Leong, 1st ed. 2020); Macao Population as on 4th Quarter of 2021. See Government of Macao Special Administrative Region Statistics and Census Service, <https://www.dsec.gov.mo/en-US/> (last visited Dec. 24, 2022); Industrial Structure of Macao refers to the composition of economic activities in Macao, their relationship and shares of value added, and this data are calculated in terms of producers’ prices in which included product tax. Statistical Indicator System for Moderate Economic Diversification of Macao, Diversification of Industrial Structure, statistical data for year 2019. See Government of Macao Special Administrative Region Statistics and Census Service, <https://www.dsec.gov.mo/Diversification/> (last visited Dec. 24, 2022).

large shares in the economy. The heavy reliance on a specific sector is always risky for any economy, apart from accounting for more than half of the industrial structure of Macao,⁷ the taxation from the gaming industry is also relatively high in which accounted for more than 80% of the total income of the government in 2019.⁸ In fact, the reliance on the gaming tax had always been high ever since the handover, ranging from 73.53% to 90.46% of the total income for the government between the period 1999 to 2019.⁹ This rings the bell of the government for the risks of the economy for heavily reliant on a specific sector and unfortunately due to the COVID pandemic, where countries are being placed on lockdown for the avoidance of further spreading and transmission of diseases, travelers are stopped, economic activities are seriously affected and data from the Gaming Supervision and Coordination Bureau showed the gross gaming revenue for 2020 had a huge decline for 79.3% from \$292.455 billions in 2019 to only 60.441 billions in 2020.¹⁰ As a result, the taxation from the gaming industry is also seriously affected with a huge decline to \$29.807 billions, which accounts for 73.6% decreased as compared to 2019 when the government received \$112.710 billions.¹¹ The government has been doing all its best to fight the pandemic and implementing economic measures for citizens and businesses to overcome these recessions.¹² The city is recovering from the pandemic especially for the gaming industry as data shows the gaming tax for 2021 has recorded a 13.8% increase to \$33.908 billions.¹³ However, this increase is still relatively low as compared to the period before the pandemic and this has strengthened the government's strategical plan for the need to diversify the industrial structure of the city in order to minimize risks to maintain a sustainable economic development.

In the Policy Address for the Fiscal Year 2021, one of the deliberations in which the Chief Executive, Ho Yat Sing, has addressed is the need of

⁷ Statistical Indicator System for Moderate Economic Diversification of Macao, Diversification of Industrial Structure, statistical data for year 2019. See Government of Macao Special Administrative Region Statistics and Census Service, <https://www.dsec.gov.mo/Diversification/> (last visited Dec. 24, 2022).

⁸ The taxation income of Macao SAR government from the gaming industry accounted for 985 billion in year 2019. See Financial Services Department, summarized annual budget tables 2019, <https://www.dsf.gov.mo/financialReport/?FormType=2> (last visited Dec. 24, 2022).

⁹ Hu Manman (胡曼曼) & Huang Lishuang (黄丽双), *Aomen Huigui Yilai de ShuiShou Zengzhang* (澳门回归以来的税收收入增长) [Tax revenue growth since the return of Macao, Local Finance Research], 10 DIFANG CAIZHENG YANJIU (地方财政研究) [SUBNATIONAL FISCAL RESEARCH] 69 (2019).

¹⁰ Gross monthly revenue from games of fortune in 2019 and 2020. See Gaming Supervision and Coordination Bureau, http://www.dicj.gov.mo/web/en/information/DadosEstat_mensal/2020/index.html (last visited Dec. 24, 2022).

¹¹ Summarized annual budget tables 2021. See Financial Services Department, <https://www.dsf.gov.mo/financialReport/?FormType=2> (last visited Dec. 24, 2022).

¹² *Tequ Zhengfu Tui Baxiang Cuoshi Zhiyuan Zhongxiao Qiye* (特区政府推8项措施支援中小企业) [MSAR to implement 8 economic measures to assist SMEs], GSEF (Oct. 11, 2021, 11:02 AM), <https://www.gov.mo/zh-hant/news/822722/> (last visited Dec. 24, 2022).

¹³ Tax Revenue from Gaming Sector. See Government of Macao Special Administrative Region Statistics and Census Service, <https://www.dsec.gov.mo/TimeSeriesDatabase.aspx?lang=en-US&KeyIndicatorID=14> (last visited Dec. 24, 2022).

diversification for the development of Macao, he stressed that Macao should fully leverage its unique status and advantages and based on its development position as “One Center, One Platform, One Base”, aside from enhancing traditional tourism and leisure industry, Macao should at the same time promote industrial upgrading and transformation in order to establish a diverse and competitive industrial structure, which will lead to the success in diversification and sustainable development. Individual industries are identified to which the government will pay special attention, and they are respectively the financial services industry, traditional Chinese medicine, convention & exhibition, cross-boundary e-commerce, cultural and sports. The idea of industrial diversification is further strengthened in the 2022 Policy Address where it stated that Macao government shall strive to establish a diverse and sustainable industrial structure that dovetails with Macao’s actual situation and adding a context of connectivity with other cities within the GBA.¹⁴

The Macao financial service industry is indeed an area which has great potentials for the development of the city, in a Coordinated Portfolio Investment Survey provided by the Macao Monetary Authority,¹⁵ statistics showed that in year 2020, the total investments for Macao Residents in securities offshore amounted to MOP\$1,025 billion with 11.3% increase compared to year 2019. Furthermore, total residents’ deposits amounted to 667.6 billion and non-residents’ deposits amounted to 383.7 billion.¹⁶ Further to that, as mentioned earlier, Macao as a free port for international trade, with no custom duties, it also adopts a simple and low taxation system with a corporate profit tax rate not exceeding 12%, and the historical ties of Macao being a colonial of Portugal, where Chinese and Portuguese are the official languages of the city, together with a continental legal system originated from Portugal. Sharing various similarities in the legal systems, languages, culture, and bilingual professionals providing services, Macao is the ideal platform to serve the Portuguese-speaking countries to trade with China.¹⁷ Portuguese-speaking countries include Portugal, Brazil, Cape Verde, Angola, Mozambique, Guinea-Bissau, São Tomé and Príncipe, East Timor, Equatorial Guinea and Macao. They formed a total area of 10,743,526 km² with 290

¹⁴ See The Government of the Macao Special Administrative Region Policy Address for the Fiscal Year 2022, https://www.policyaddress.gov.mo/data/policyAddress/2022/en/2022_policy_e.pdf (last visited Dec. 24, 2022).

¹⁵ Coordinated Portfolio Investment Survey. See Macao Monetary Authority, <https://www.amcm.gov.mo/en/news-and-announcements/press-releases/gee/coordinated-portfolio-investment-survey-31-december-2020>.

¹⁶ Statistics on Residents deposits and domestic credit for February 2022. See Macao Monetary Authority, <https://www.amcm.gov.mo/en/research-statistics/statistics/monetary-and-financial-statistics-time-series>; Statistics on External activities, non-residents deposits for February 2022. See Macao Monetary Authority, <https://www.amcm.gov.mo/en/research-statistics/statistics/monetary-and-financial-statistics-time-series>.

¹⁷ Macao Trade and Investment Promotion Institute, *Relationships between Macao and Portuguese-speaking countries*, <https://www.ipim.gov.mo/en/market-information/portuguese-speaking-countries/the-relationship-between-macao-and-portuguese-speaking-countries/> (last visited Dec. 24, 2022).

million native speakers and a total GDP of 2.5 trillion.¹⁸ Taking into consideration of this huge business opportunity for international trade among Portuguese-speaking countries, and the national strategy to develop the GBA, Macao must develop and optimize its current financial system to better serve its purpose.

The composition of the Macao financial system is relatively simple, mainly with banks and insurance companies,¹⁹ and with other financial institutions like finance companies, non-bank credit institutions, financial intermediaries, remittance companies, moneychangers and exchange counter operators. The main regulation governing this industry is the Financial System Act enforced since 1993 in which defined the legal framework to be applied to the financial activities in Macao and had paid much consideration to the standards of the Basel Committee of Banking Supervision.²⁰ Other regulations governing the industry include Foreign Exchange Regime, Finance Companies, Deposit Protection Regime, Conservation of Documents of Financial Entities etc.²¹ The Financial System Act also delegated powers to the Macao Monetary Authority (AMCM) as the supervisory authority for both the banking and insurance sector and be responsible for the promotion of the general stability and proper functioning of the financial system.²² The AMCM also issued notices and guidelines to be complied by the financial institutions in situations where those rules are not covered by the Financial System Act.²³ In order to develop this specific industry, the 2021 Policy Address already acknowledged that Macao will expedite the development of a modern financial services industry including the establishment of a bond market, develop wealth management services, construct a stock market using Renminbi for settlement, to promote diverse financial services development and mutually review and prefect financial laws and regulations, and strengthen development of financial software and hardware infrastructure.²⁴ Of course, Macao is not yet ready, and the Chief Executive in a news interview also stressed that Macao is not ready for such developments and there are much more to be done and he

¹⁸ Business in Portuguese. See Portuguese Chamber of Commerce in UK, <https://portuguese-chamber.org.uk/business-in-portuguese/> (last visited Dec. 10, 2022).

¹⁹ The banking system of Macao comprised of 12 banks incorporated in Macao and 21 branches of banks incorporated overseas, making a total of 33 banks and 1 Postal Savings Office. See The Monetary Authority of Macau, <https://www.amcm.gov.mo/en/banking-sector/introduction> (last visited Dec. 5, 2022); The insurance system of Macao comprised of 25 insurance companies, where 12 are life insurances companies and 13 are general insurances companies. See The Monetary Authority of Macau, <https://www.amcm.gov.mo/en/insurance-sector/insurance-sector> (last visited Dec. 5 2022).

²⁰ Financial System Act, Decree-Law no.32/93/M, July 5, 1993, https://bo.io.gov.mo/bo/i/93/27/declei32_cn.asp.

²¹ Leong Cheng Hang, Chapter 17: Macau banking law and financial institutions, (pages 315-335) RESEARCH HANDBOOK ON ASIAN FINANCIAL LAW (Douglas W. Arner et al. eds., 2020).

²² Financial System Act, art. 5.

²³ Notices and Guidelines. See Macao Monetary Authority, <https://www.amcm.gov.mo/en/bank/bank-regulatory-guidelines?type=notices-and-guidelines> (last visited Dec. 9, 2022).

²⁴ Macao SAR Policy Address for the Fiscal year 2021, MACAO SAR GOVERNMENT (Nov. 16, 2020), https://www.gov.mo/en/wp-content/uploads/sites/2/2021/01/2021_policy_e.pdf.

identified that the government plans to review the Financial System Act and the Tax Law, also to develop Trust Law and Securities Law which are not covered by the Macao Legal System yet; he further stressed that only when a good financial legal foundation is established and that's when investors will come to Macao to invest.²⁵ It should be noted that the Trust Law has finally came into effect on 1 December 2022 in which regulates the establishment and dissolution of trusts,²⁶ trust property, and the capabilities, rights and obligations of settlors, trustees and beneficiaries.²⁷ The 2022 Policy Address further strengthened and urge the development of a modern financial services industry with focus on three specific areas including fostering the bond market, wealth management and financial leasing business. Furthermore, Macao intends to establish a cross-border Renminbi clearing center and to expand green finance businesses. The Policy Address further stressed the need to perfect financial laws, regulations and guidelines; to review the Financial System Act and to revoke the existing bond issuance examination and approval system which no longer aligns with and up to date for the developing market.²⁸ Even though the Basel Committee's standards were considered when drafting the Financial System Act in 1993, however, it looked purely in the rules for Basel I, ever since the Basel Committee had implemented several changes respectively the Basel II which was released in 2004 and Basel III which was released in 2010 in respond to the financial crisis 2008. The International Monetary Fund (IMF) recently released a country report of Macao in April 2022, in which it highlighted Macao's overreliance on the gaming industry and high exposure to climate-related disasters as the major economy's long-term challenges and appraised the Government's strategy of industrial diversification could reduce the economy's vulnerability to shocks. However, multiprong package of structural reforms is required to achieve industrial diversification, it further suggested Macao Government should invest in skill building, to tackle the limited supply of skilled labor, to minimize the gap in physical and digital infrastructure, enhance public institution's effectiveness, improve business environment and most importantly to strengthen the regulatory and supervisory framework. IMF also called the attention of Macao to sustain financial stability in the promotion of the financial industry development.²⁹

²⁵ Teshou: Wanshan Fazhi Xiyin Touzi (特首：完善法制吸引投资) [Chief Executive: Improve the Rule by Law to Attract Investments], AOMEN RIBAO (澳门日报) [MACAU DAILY], Nov. 18, 2020, at A02. See http://www.Macaodaily.com/html/2020-11/18/content_1475863.htm (last visited Dec. 28, 2022).

²⁶ Trust Law, Law No. 15/2022, Nov. 14, 2022, https://bo.io.gov.mo/bo/i/2022/46/lei15_cn.asp.

²⁷ *Id.* art. 1.

²⁸ Macao SAR Policy Address for the Fiscal year 2022, THE GOVERNMENT OF THE MACAO SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA POLICY ADDRESS OF THE FISCAL YEAR OF 2022 (Nov. 16, 2021), https://www.policyaddress.gov.mo/data/policyAddress/2022/en/2022_policy_e.pdf.

²⁹ International Monetary Fund, *People's Republic of China—Macao Special Administrative Region: 2022 Article IV Consultation Discussions*, Country Report No. 2022/120 (Apr. 2022), <https://www.imf.org/en/Publications/CR/Issues/2022/04/12/Peoples-Republic-of-China-Macao-Special-Administrative-Region-2022-Article-IV-Consultation-516538>.

III. LEGAL REGIME OF THE GUANGDONG-HONG KONG-MACAO GBA

China has great expectations for Hong Kong and Macao, hoping that with this uniqueness of “one country, two systems”, China can attract and increase foreign investments, develop further in a bigger picture, to open to the world, to increase usage of the currency Renminbi in order to achieve internationalization of the Renminbi. Of course, China understood pretty well the shortages of Macao and assisting the city to diversify is actually included in the strategic plan of the country. China will continue to support the two Special Administrative Regions to consolidate and enhance their competitive advantages and better integrate into the overall development of the country.³⁰

For Macao, China will continue to support the region in becoming a major destination for international leisure and tourism, support Guangdong and Macao to cooperate in the construction of Hengqin and expand the functions for the service platform for trade and cooperation between Chinese and Portuguese – speaking countries, actively develop industries in areas such as Traditional Chinese Medicines for R&D and manufacturing, featured finance, high-tech, conventions and exhibitions and trade in order to promote an appropriate level of diversity in Macao’s economy to achieve sustainable economic development.³¹ The goal for China is to fully open up and successfully built as a modern economic system and together with Hong Kong and Macao to jointly build a functional platform for the “Belt and Road” initiative. To cooperate in economics and trade, science and technology innovation, and deepen and expand the interconnection of the financial markets between the Mainland and Hong Kong and Macao. High-quality construction of the Guangdong-Hong Kong-Macao GBA, deepening cooperation between Guangdong-Hong Kong-Macao and the Greater Pearl River Delta region, promote the construction of major cooperation platforms such as Shenzhen Qianhai, Zhuhai Hengqin, Guangzhou Nansha, and Shenzhen-Hong Kong Loop. Strengthen exchanges and cooperation between the Mainland, Hong Kong and Macao in various fields.³²

The Guangdong-Hong Kong-Macao GBA is a core national strategy of the Chinese government under the leadership of President Xi Jinping for the development of the country. The GBA consists of 9 municipalities of China namely, Hong Kong, Macao, Shenzhen, Guangzhou, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing. These 9 municipalities in the GBA covers a total area of 56,098 square kilometers with a combined population of around 86 million and a total GDP of 1668 billion USD.³³ The idea of building the GBA started in 2008 where the Central government of

³⁰ *Id.* chapter 61.

³¹ *Id.*

³² *Id.*

³³ Hong Kong Trade Development Council, *Major Economic Indicators of the Guangdong-Hong Kong-Macao Greater Bay Area (2020)*, HKTDC RSCH, <https://research.hktdc.com/en/article/MzYzMDE5NzQ5>.

China published “*The Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020)*”, with the proposal to build a world-class city cluster comprising Guangdong, Hong Kong and Macao.³⁴ In 2009, the government of Guangdong, Hong Kong and Macao jointly published the “*Planning Study on the Co-ordinated Development of the Greater Pearl River Delta Townships*” where they have done a thorough report fixing the development goals and strategies for each municipality.³⁵ On 1 July 2017, the National Development and Reform Commission together with the local government of Guangdong, Hong Kong and Macao signed the “*Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation on the Development of the Greater Bay Area*” which sets out the goals and principles of cooperation on 7 key cooperation areas including infrastructure connectivity,³⁶ market integration through implementation of the Closer Economic partnership Agreement (CEPA), to build a global technology and innovation hub, to build a modern system of industries through coordinated development, to jointly build a quality living circle to provide an ideal place for living, working and travelling, to cultivate new strengths in international cooperation by deepening cooperation between Hong Kong and Macao with other countries who participate in the Belt and Road initiatives, and to establish major cooperation platforms like the Hengqin of Zhuhai, Qianhai of Shenzhen and the Nansha of Guangzhou. Later, on 19 February 2019, the Central Committee of the Communist Party of China and the State Council issued “*The Outline of the Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area*”³⁷ (Outline Development Plan) which provides greater details on its strategies and how to achieve a closer connection between China and the two SARs.

In the context for Macao, this Development Plan clearly stated China will support Macao to develop special financial products and services such as leasing, explore Macao’s development, taking account of complementarity with nearby regions, and study the feasibility of establishing in Macao a securities market denominated and cleared in Renminbi, a green finance platform and a Sino-Lusophone countries financial services platform.³⁸ With

³⁴ *Zhujiang Sanjiaozhou Diqu Gaige Fazhan Guihua Gangyao (2008-2020 Nian)* (珠江三角洲地区改革发展规划纲要(2008-2020年)) [*The Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020)*], GOV’T OF MAC. SPECIAL ADMIN REGION STAT. & CENSUS SERV. (Aug. 2008), https://www.dsec.gov.mo/BayArea/data/s1_001.pdf.

³⁵ *Da Zhujiang Sanjiaozhou Chengzhen Qun Xietiao Fazhan Guihua Yanjiu* (大珠江三角洲城镇群协调发展规划研究) [*The Planning Study on the Co-ordinated Development of the Greater Pearl River Delta Townships*], https://www.pland.gov.hk/pland_en/misc/great_prd/news/report_c.htm.

³⁶ Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation on the Development of the Greater Bay Area (Jul. 1, 2017), https://www.bayarea.gov.hk/filemanager/en/share/pdf/Framework_Agreement.pdf.

³⁷ *Yuegangao Dawanqu Fazhan Guihua Gangyao* (粤港澳大湾区发展规划纲要) [*The Outline of the Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area*] (promulgated by the Central Committee of the Communist Party of China & St. Council, Feb. 18, 2019) (Chinainfo.gov).

³⁸ *Id.* chapter 6, section 3.

no doubt, this will bring a huge business opportunity for Macao in all areas especially that of financial services; and Macao should take this special opportunity to benefit itself. In addition, the Central government has taken special measures in terms of “connectivity”, to connect China and the two SARs and in order to achieve “diversification” to the development of Macau. On 24 April 2020, “*The Opinions for Financial Support for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area*”³⁹ is issued, this Opinion has suggested 30 specific measures from 6 directions to promote financial opening, innovation and deepen the financial cooperation between Mainland, Hong Kong and Macao in order to achieve mutual benefits, win-win results, a steady promotion of internationalization of the Renminbi and to provide strong financial support for the construction of a dynamic and internationally competitive first-class Bay Area and a world-class urban agglomeration.⁴⁰ This opinion is one of the most important legal frameworks which set out the connectivity of the financial markets among the GBA.

The Central government further announced an extraordinary “*Overall Plan for the Construction of the Hengqin Guangdong-Macao In-depth Cooperation Zone*”⁴¹ on 5 September 2021, this is claimed by President Xi Jinping as a platform for the diversification of industrial structure of Macao. The plan clarifies that the Guangdong provincial government and Macao shall extensively consult, jointly contribute, jointly manage and share the benefits for the development of the In-depth Cooperation Zone.⁴² The Cooperation Zone covers a total of 106 square kilometers of land in the Hengqin island and are classified as “first line” and “second line”. “First line” covers the Hengqin campus of the University of Macao and the Macao jurisdiction of the Hengqin Port, which will be managed by the Macao SAR government as authorized by the Standing Committee of the National People’s Congress and the “second line” covers Hengqin and the custom territory of China, qualified market entities will be entitled to special policies for operating within the Cooperation Zone.⁴³ The Central government intends to build a modern financial industry in the Cooperation Zone by attracting banks and insurance companies from Macao with a lower threshold of entrants and to develop modern financial

³⁹ Zhongguo Renmin Yinhang, Zhongguo Yinhang Baodian Jiandu Guanli Weiyuanhui, Zhongguo Zhengquan Jiandu Guanli Weiyuanhui, Guojia Waihui Guanliju Guanyu Jinrong Zhichi Yuegangao Dawanqu Jianshe de Yijian (中国人民银行、中国银行保险监督管理委员会、中国证券监督管理委员会、国家外汇管理局关于金融支持粤港澳大湾区建设的意见) [Opinions of the People’s Bank of China, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission and the State Administration of Foreign Exchange for Financial Support for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area] (promulgated by the People’s Bank of China, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission & the State Administration of Foreign Exchange, Apr. 24, 2020) (Chinalawinfo).

⁴⁰ *Id.* art. 1.

⁴¹ Overall Plan for the Construction of the Hengqin Guangdong-Macao In-depth Cooperation Zone, https://www.hengqin-cooperation.gov.mo/wp-content/uploads/2021/09/HQcooperation_cn.pdf.

⁴² *Id.* art. 2.

⁴³ *Id.* art. 10.

service such as wealth management, bond market and finance leasing. Also, benefiting from the strength of Macau, the Central government intends to develop a financial service platform between China and Portuguese-speaking countries, encouraging social capital to set up multi-currency venture capital funds and private equity investment funds with the principle of marketisation, and to attract foreign capital to increase support for high-tech industries, innovation and entrepreneurship in the Cooperation Zone. Most importantly, the Central government intends to develop cross-boundary Renminbi clearing services, encourage and support local and foreign investors to use Renminbi in cross-boundary venture investment and other related investments and trades, in order to increase the use of the local currency and to achieve internationalization of the Renminbi.⁴⁴ The Plan also stressed the need to strengthen the connectivity between the financial market in the Cooperation Zone and the offshore financial markets in Macao and Hong Kong, and to push forward the financial market in the Cooperation Zone to take the lead in highly opening up. Also, step-by-step to explore the free inflow and outflow of cross-boundary capital and to push forward the convertibility of capital projects in the Cooperation Zone in accordance with the principles of national overall planning with the aims to serve entities and to control risks.⁴⁵ Recently on 7 November 2022, the Financial Development Bureau of the Hengqin Guangdong-Macao In-depth Cooperation Zone has implemented the “*Measures for Supporting the Development of the Financial Industry in the Hengqin Guangdong-Macao In-depth Cooperation Zone*”,⁴⁶ here high-quality financial enterprises from Macao are welcome to enter and develop in Hengqin and depending on their registered investment capital, financial enterprises may receive a financial support ranging from 5 millions to 50 millions.⁴⁷ Financial enterprises may continue to receive further financial supports as a bonus for making profits and even via continuous capital increase.⁴⁸

IV. FINANCIAL CONNECTIVITY

A. Cross-Boundary Wealth Management Scheme

Following to the strategic plans of the Central government and its strong objective for financial connectivity, a “*Cross-Boundary Wealth Management Scheme*” is finally launched. The idea of Cross-boundary wealth

⁴⁴ *Id.* art. 9.

⁴⁵ *Id.* art. 17.

⁴⁶ Hengqin Yueao Shendu Hezuoqu Cujin Jinrong Chanye Fazhan Fuchi Banfa (横琴粤澳深度合作区促进金融产业发展扶持办法) [Measures for Supporting the Development of the Financial Industry in the Hengqin Guangdong-Macao In-depth Cooperation Zone] (promulgated by the Executive Committee of Guangdong-Macao In-Depth Cooperation Zone in Hengqin), http://www.hengqin.gov.cn/macao_zh_hans/zwgk/zcfg/gfxwj/content/post_3441317.html.

⁴⁷ *Id.* art. 5.

⁴⁸ *Id.* art. 7.

management was first listed in the “*Outline Development Plan*”,⁴⁹ to promote mutual financial access within the GBA area, and with a focus to increase the cross-boundary use of RMB within the GBA in order to achieve internationalization of RMB. The idea was further stressed in “*The Opinions for Financial Support for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area*”⁵⁰ and on 29 June 2020, the Regulatory Authorities in the Chinese mainland, Hong Kong and Macao jointly announced the implementation of a two-way cross boundary wealth management connect pilot scheme,⁵¹ where residents from the GBA can carry out cross-boundary investment in wealth management products within the area.⁵² Following on 5 February 2021, the “*Memorandum of Understanding on the Launch of the Cross-boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area*” (*MoU*)⁵³ is signed with detailed outline showing how this cross-boundary connect scheme works. Under this memorandum, it is agreed that the parties shall cooperate to supervise, liaise, maintain orderly and fair trading, protect investors’ interests, prevent supervisory discord, regulatory arbitrage and other related cross-boundary illicit or non-compliance activities.⁵⁴ The basic principle for this scheme guaranteed that the law to be followed is “by the jurisdiction where the business is conducted.”⁵⁵ The parties agreed to uphold the principles of fairness, openness, impartiality and equality to protect the legal rights and interests of the investors for transactions made in their system.⁵⁶ The cross-boundary wealth management connect consists of the southbound scheme and

⁴⁹ Hang, *supra* note 21. Banking institutions in the GBA may launch RMB interbank lending, RMB foreign exchange spot and forward businesses, related RMB derivative products and cross distribution of wealth management products. Enterprises may issue cross-boundary RMB bonds, residents may benefit from cross-boundary investment in each other’s market.

⁵⁰ *Id.* art. 9 “Exploring the pilot program of cross-border financial management mechanism. Mainland residents in the GBA shall be supported in purchasing financial management products sold by banks in Hong Kong and Macao from the said banks, and residents in Hong Kong and Macao shall be supported in purchasing financial management products sold by mainland banks in the GBA”.

⁵¹ The People’s Bank of China, the Hong Kong Monetary Authority and the Monetary Authority of Macao.

⁵² Zhongguo Renmin Yinhang, Xianggang Jinrong Guanliju, Aomen Jinrong Guanliju Guanyu Zai Yuegangao Dawanqu Kaizhan Kuajing Licaitong Yewu Shidian de Lianhe Gonggao (中国人民银行、香港金融管理局、澳门金融管理局关于在粤港澳大湾区开展“跨境理财通”业务试点的联合公告) [Joint Announcement of People’s Bank of China, Hong Kong Monetary Authority, and Monetary Authority of Macao on Launch of Cross-boundary Wealth Management Connect Pilot Scheme in Guangdong-Hong Kong-Macao Greater Bay Area] (promulgated by People’s Bank of China, Hong Kong Monetary Authority & Monetary Authority of Macao, Jun. 29, 2020) (Chinalawinfo).

⁵³ The Memorandum of Understanding (hereinafter *MoU*) is signed between the People’s Bank of China, China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission, State Administration of Foreign Exchange and the Hong Kong Monetary Authority, Securities and Futures Commission of Hong Kong, and Macao Monetary Authority. See Macao Monetary Authority, <https://www.amcm.gov.mo/zh/news-and-announcements/press-releases/gap/20210205-mou>.

⁵⁴ *Id.* part 1 art. 2.

⁵⁵ *Id.* part 2 art. 5.

⁵⁶ *Id.*

the northbound scheme, under the southbound scheme, residents of the municipalities in the GBA can invest in eligible investment products distributed by banks in Hong Kong and Macao by opening designated investment accounts with these banks; and vice versa, under the northbound scheme, residents of Hong Kong and Macao can invest in eligible wealth management products distributed by Mainland banks in the GBA by opening designated investments accounts with these banks.⁵⁷ The cross-boundary remittance must be conducted in Renminbi and the exchange of funds shall be completed in the offshore market. Cross-boundary remittance of funds shall be handled through the Renminbi Cross-border Interbank Payment System (CIPS)⁵⁸ and it's operated under a closed-loop management remittance system meaning remittance should only be conducted between the dedicated investment account and its paired dedicated remittance account, when the investment turned mature, the proceeds shall be returned via the same route as how it came from.⁵⁹ The total quota for the Wealth Management Scheme is tentatively set at 150 billion Renminbi at present and individual investor has an investment quota not exceeding 1 million Renminbi.⁶⁰ There are currently 9 Macao banks approved by the Macao Monetary Authority to operate under this scheme and information from the People's Bank of China as of 31 August 2022, a total of 35,049 individual investors in the GBA had participated in the Scheme, including 24,116 Hong Kong and Macao investors, and 10,943 Mainland investors, involving 12,725 cross-boundary remittances of relevant funds in the

⁵⁷ Low to medium risk and non-complex products, including funds from Hong Kong as authorized by the Securities and Futures Commission; and funds from Macao as authorized by the Macao Monetary Authority; bonds; and deposits offered by banks in foreign currency, Renminbi and Hong Kong dollars. Low to medium risk products including public fixed income wealth management products, public equity wealth management products and public securities investment funds. Zhongguo Renmin Yinhang, Xianggang Jinrong Guanli Ju, Aomen Jinrong Guanli Ju Guanyu Zai Yuegangao Dawanqu Kaizhan "Kuajing Licaitong" Yewu Shidian de Lianhe Gonggao (中国人民银行、香港金融管理局、澳门金融管理局关于在粤港澳大湾区开展"跨境理财通"业务试点的联合公告) [Joint Announcement of People's Bank of China, Hong Kong Monetary Authority, and Monetary Authority of Macao on Launch of Cross-boundary Wealth Management Connect Pilot Scheme in Guangdong-Hong Kong-Macao Greater Bay Area] (promulgated by People's Bank of China, Hong Kong Monetary Authority & Monetary Authority of Macao, Jun. 29, 2020) (Chinalawinfo).

⁵⁸ Renmin Yinhang Guangzhou Fenheng, Renmin Yinhang Shenzhenshi Zhongxin Zhihang, Guangdong Yinbaojianju Deng Guanyu Yinfa Yuegangao Dawanqu "Kuajing Licaitong" Yewu Shidian Shishi Xize de Tongzhi (人民银行广州分行、人民银行深圳市中心支行、广东银保监局等关于印发《粤港澳大湾区"跨境理财通"业务试点实施细则》的通知) [Notice by the Guangzhou Branch of the People's Bank of China, the Shenzhen Central Sub-branch of the People's Bank of China, the Guangdong Office of the China Banking and Insurance Regulatory Commission, the Shenzhen Office of the China Banking and Insurance Regulatory Commission, the Guangdong Office of the China Securities Regulatory Commission and the Shenzhen Office of the China Securities Regulatory Commission of Issuing the Detailed Rules for the Implementation of the Pilot Program of Cross-Border Wealth Management Connect in the Guangdong-Hong Kong-Macao Greater Bay Area] (promulgated by People's Bank of China, Guangzhou Branch People's Bank of China, Shenzhen Central Sub-Branch China Banking and Insurance Regulatory Commission, Guangdong Office Guangdong Office of the China Securities Regulatory Commission Shenzhen Office of the China Securities Regulatory Commission, Sept. 10, 2021, effective Oct. 10, 2021), art. 11 (Chinalawinfo).

⁵⁹ *Id.* art. 33.

⁶⁰ *Id.* art. 41, 46.

amount of 1.366 billion Renminbi since launched; where 5,857 remittances are from Macao in a total 299 million Renminbi.⁶¹ It is encouraging to note that the Scheme is a huge success and brings in massive economic benefits, especially for the In-depth Cooperation Zone in Hengqin, data provided by the Financial Development Bureau of the In-depth Cooperation Zone shows financial industry accounted for 37% of the In-depth Zone's GDP until June 2022 and brings in 7.47 billions of tax revenue.⁶²

B. Stock Exchanges and Stock Connect Scheme

Following to the 2021 Policy Address, the Macao SAR government is vigorously progressing in the construction of the Macao Stock Exchange, according to the “*Letter of Reply to Proposal No. 1409 (Economic Development No. 099) of the Third Session of the 13th National Committee of the Chinese People's Political Consultative Conference*”, the Macao Stock Exchange may be located in Zhuhai, Hengqin, with the justification that Hengqin is adjacent to Macao which has an obvious location advantages and in consideration of the cooperation between Macao and Guangdong in the construction of “Macao-Zhuhai Cross-Border Financial Cooperation Demonstration Zone”, which has already achieved outstanding results in attracting more than 10 financial institutions to settle in, and more than 5000 financial enterprises had incorporated and registered in Hengqin;⁶³ and Hengqin will be an ideal place for the location of the Macao Stock Exchange.

China has three stock exchanges already, respectively the Shanghai Stock Exchange (SSE), established on 26th November 1990;⁶⁴ the Shenzhen Stock Exchange (SZSE), established on 1st December 1990;⁶⁵ the Beijing Stock Exchange (BSE), established on 3 September 2021.⁶⁶ All the Stock Exchanges are approved by the China's State Council and are under the

⁶¹ *Kuajing Licaitong 2022 Nian 8 Yue Qingkuang Tongbao* (跨境理财通2022年8月情况通报) [Cross-Border Wealth Management Connect August 2022 Status Bulletin], The People's Bank of China (Sept. 26, 2022), <http://guangzhou.pbc.gov.cn/guangzhou/129196/4332364/4332376/4667448/index.html> (last visited Dec. 10, 2022).

⁶² *Shangbannian Shenhequ GDP Jinrong Ye Zhan 37%* (上半年深合区GDP金融业佔37%) [The Financial Industry accounted for 37% of the In-depth Cooperation Zone's GDP in the First Half of the Year], Macao Daily News (Sept. 8, 2022), http://www.macaodaily.com/html/202209/08/content_1620180.htm (last visited Dec. 20, 2022).

⁶³ Guanyu Zhengxie Shisan Jie Quanguo Weiyuanhui Disan Ci Huiyi Di 1409 Hao (Jingji Fazhan Lei 099 Hao) Dafu de Han (关于政协十三届全国委员会第三次会议第1409号(经济发展类099号)提案答复的函) [Letter of Reply to Proposal No. 1409 (Economic Development No. 099) of the Third Session of the 13th National Committee of the Chinese People's Political Consultative Conference], National Development and Reform Commission (Oct. 22, 2020), http://www.zhuhai.gov.cn/gkmlpt/content/2/2673/post_2673484.html#1638 (last visited May 20, 2022).

⁶⁴ See Shanghai Zhengquan Jiaoyisuo (上海证券交易所) [Shanghai Stock Exchange], <http://www.sse.com.cn/>.

⁶⁵ See Shenzhen Zhengquan Jiaoyisuo (深圳证券交易所) [Shenzhen Stock Exchange], <http://www.szse.cn/>.

⁶⁶ See Beijing Zhengquan Jiaoyisuo (北京证券交易所) [Beijing Stock Exchange], <http://www.bse.cn/>.

supervision of China Securities Regulatory Commission (CSRC).⁶⁷ The SSE is established in line with the Central government's intention to reform the financial market structure in the 1990s where loans for State-owned enterprises (SOE) were heavily reliant on the "Big Four" State-owned banks (SOB) namely the Agriculture Bank of China (ABC), the China Construction Bank (CCB), the Industrial and Commercial Bank of China (ICBC) and the Bank of China (BOC);⁶⁸ in which after more than 20 years of policy lending, the Non-Performing Loans (NPL) of the SOB had reached RMB 2.5 trillion in late 1990s, where ABC had a NPL ratio as high as 45% and ICBC at 39.5%.⁶⁹ The establishment of the Stock Exchanges had given SOE in China an extra platform for sourcing funds. The SSE is established to support the SOE and leading enterprises and comprised of the Mainboard and the Science and Technology Innovation Board (SSE STAR market),⁷⁰ with products covering stocks, bonds, funds and derivatives. The SZSE is established with the concept to support small-medium sized enterprises (SMEs), to create infinite opportunities, advance self-innovation and to serve the Chinese economy.⁷¹ The SZSE originally comprised of the Mainboard, the SME Board and the ChiNext market. The SME Board was launched in May 2004. The ChiNext market was inaugurated in October 2009. In 2021, SZSE merged between the Mainboard and the SME Board. Thus, SZSE has basically put in place a framework of multi-tiered capital market comprising the Main Board and the ChiNext market. SZSE plays an increasingly important role in supporting the real economy and transforming the nation's economic growth model.⁷² The BSE is established with the concept to act as a primary platform for innovation-oriented SMEs.⁷³ It is an extension of the National Equities Exchange and Quotation system (NEEQ);⁷⁴ also known as the "New Three Board" which

⁶⁷ Guowuyuan Bangongting Guanyu jiang Shanghai Zhengquan Jiaoyisuo he Shenzhen Zhengquan Jiaoyisuo Huagui Zhongguo Zhengjianhui Zhijie Guanli de Tongzhi (国务院办公厅关于将上海证券交易所和深圳证券交易所划归中国证监会直接管理的通知) [Notice of the General Office of the State Council on Transferring Shanghai Stock Exchange and Shenzhen Stock Exchange to the Direct Management of China Securities Regulatory Commission] (promulgated by State Office, July 2, 1997).

⁶⁸ DAN LUO, *THE DEVELOPMENT OF THE CHINESE FINANCIAL SYSTEM AND REFORM OF CHINESE COMMERCIAL BANKS* 1-24 (Palgrave Macmillan, 1st ed. 2016).

⁶⁹ *Id.* at 6.

⁷⁰ The SSE STAR market supports high-tech industries and strategic emerging industries such as new generation IT, high-end equipment, new materials, new energy, energy conservation and biomedicine. Shanghai Zhengquan Jiaoyisuo, *see supra* note 66.

⁷¹ Shenzhen Stock Exchange, *see supra* note 67.

⁷² *Id.*

⁷³ Beijingshi Zhengquan Jiaoyisuo Xiang Buteding Hege Touzizhe Gongkai Faxing Gupiao Zhuce Guanli Banfa (Shixing) (北京市证券交易所向不特定合格投资者公开发行股票注册管理办法(试行)) [The Measures for the Administration of the Registration of Public Offerings of Stock to Unspecified Qualified Investors on Beijing Stock Exchange (for Trial Implementation)] (promulgated by China Securities Regulatory Commission, Oct. 30 2021, effective Nov. 15, 2021) art. 3 (Chinalawinfo).

⁷⁴ The National Equities Exchange and Quotation (NEEQ) started operation since 2013 and is designed for innovative, start-up, high-growth micro, small, and medium-sized companies. It is also known as the "New Three Board" as it was the third trading platform established in China after the SSE and SZSE. Qualified joint-stock companies in China can apply through their chief agency broker for listing and transferring shares

comprises of three tiers, namely Base tier, Innovation tier and Select tier. The establishment of the BSE is to deepen the NEEQ reform and has given opportunities for companies in the Select tier to be listed with a lower entry barrier to the stock exchange as compared to the SSE and SZSE, and most importantly for SMEs to source funds.⁷⁵ The BSE is targeted for and provides key support for companies in advanced manufacturing, modern service, promote the transformation and upgrading of traditional industries, create new momentum for economic development and promote high quality economic development.⁷⁶ The three Stock Exchanges are an important measure for the continuous enrichment and improvement of China's multi-tiered capital market, serving different audiences and to serve national economic development and transformation; they mutually complement each other, enriching the capital market's accommodating capacity and enhancing the capital market's ability to serve the real economy. An advanced securities market of sufficient size will become a powerful tool for propelling the sustained healthy growth of China's economy.⁷⁷

The Hong Kong Stock Exchange (HKEX) has a history traced back to 1891 and it provides trading, clearing, settlement and depository services for

publicly on the NEEQ, in order to access equity and debt-financing, and asset restructuring. See Guowuyuan Guanyu Quanguo Zhongxiao Qiye Gufen Zhuanrang Xitong Youguan Wenti de Jueding (国务院关于全国中小企业股份转让系统有关问题的决定) [Decision of the State Council on Issues concerning the National Equities Exchange and Quotations] (promulgated by St. Council, Dec. 13, 2013, effective Dec. 13, 2013) art. 1 (Chinalawinfo).

⁷⁵ See Xi Jinping Zai 2021 Nian Zhongguo Guoji Fuwu Maoyi Jiaoyihui Quanguo Fuwu Maoyi Fenghui Shang de Zhici (习近平在2021年中国国际服务贸易交易会全球服务贸易峰会上的致辞) [Speech of President Xi Jinping at the 2021 China International Fair for Trade in Service, Global Trade in Services Summit], (President Xi Jinping first announced the establishment of the Beijing Stock Exchange, and he further acknowledged China's position to continue support the innovation and development of the SMEs, and the need to reform the NEEQ system), XINHUA NET (Sept. 2, 2021), http://www.gov.cn/xinwen/2021-09/02/content_5635041.htm (last visited Dec. 28, 2022); See Beijing Zhengquan Jiaoyisuo Guanyu Fabu Beijing Zhengquan Jiaoyisuo Gupiao Shangshi Guize (Shixing) de Gonggao (北京证券交易所关于发布《北京证券交易所股票上市规则(试行)》的公告) [Announcement of the Beijing Stock Exchange on Issuing the Stock Listing Rules of the Beijing Stock Exchange (for Trial Implementation)] (promulgated by Beijing Stock Exchange, Oct. 30, 2021, effective on Nov. 15, 2021) (Chinalawinfo). A company quoted in the Select Tier of the NEEQ is transferred to the BSE as a listed company, the period of listing shall be calculated continuously from the date when the company was initially quoted in the Innovation Tier for not less than 12 months; Chapter II Stock Listing and Trading, section 1, subsection 2.1.3 (1): the market value is ≥200 million yuan, the net profit in the past two years is ≥15 million yuan and the weighted average ROE is ≥8%, or the net profit in the most recent year is ≥25 million yuan and the weighted average ROE is ≥8%; Beijing Stock Exchange, see *supra* note 68.

⁷⁶ See Yuegangao Dawanqu "Kuajing Licaitong" Yewu Shidian Shishi Xize (粤港澳大湾区"跨境理财通"业务试点实施细则) [the Detailed Rules for the Implementation of the Pilot Program of Cross-Border Wealth Management Connect in the Guangdong-Hong Kong-Macao Greater Bay Area] (promulgated by the Guangzhou Branch of the People's Bank of China, the Shenzhen Central Sub-branch of the People's Bank of China, the Guangdong Office of the China Banking and Insurance Regulatory Commission, the Shenzhen Office of the China Banking and Insurance Regulatory Commission, the Guangdong Office of the China Securities Regulatory Commission & the Shenzhen Office of the China Securities Regulatory Commission, Sept. 10, 2021, effective Oct. 10, 2021) art. 33 (Chinalawinfo).

⁷⁷ MARTHA AVERY, MIN ZHU & JINQING CAI, CHINA'S EMERGING FINANCIAL MARKETS: CHALLENGES AND GLOBAL IMPACT 245 (1st ed. 2009).

securities, derivatives and bonds. “The main function of the Hong Kong market is to facilitate corporate financing and a more diversified ownership structure featuring foreign investors. Hong Kong has long been positioned as an international financial center in Asia and serves as a platform bridging the mainland and the international marketplace. Hong Kong takes advantage of the mix between East and West. It is rooted in China and enjoys investment and labor inflow from the mainland. But in the meantime, it benefits from a colonial legacy of common law institutions and a free market.”⁷⁸

In order to achieve mutual access to the financial markets, the CSRC and Hong Kong Securities and Futures Commission (HKSF) signed the “*Memorandum of Understanding between the CSRC and the SFC on Strengthening of Regulatory and Enforcement Cooperation under Shanghai-Hong Kong Stock Connect*” on 17 October 2014 and the Shanghai-Hong Kong Stock Connect was officially launched one month later.⁷⁹ The Shenzhen-Hong Kong Stock Connect was also launched on 5 December 2016 sharing similar principles and design.⁸⁰ A new MOU was signed between the CSRC and the SFC, superseding the original MOU and with rules now governing both the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect.⁸¹ The Stock Connect consists of the southbound trading links and the northbound trading links. Southbound trading links allow Chinese investors from China to trade stocks listed on the HKEX through the Hong Kong Connect, and vice versa, the northbound trading links allow investors from Hong Kong to trade stocks listed on SSE and SZSE through the Shanghai Connect and Shenzhen Connect. The trading will be cleared in RMB and operated by closed-loop cross-boundary fund flow in order to achieve stringent risk management. The original daily trading quota for both the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect was set at RMB 13 billion for the Northbound trading link and RMB 10.5 billion for the Southbound trading link. It was then adjusted to RMB 52 billion and RMB 42 billion on 1 May 2018 to

⁷⁸ FLORA XIAO HUANG & HORACE YEUNG, CHINESE COMPANIES AND THE HONG KONG STOCK MARKET 47 (1st ed. 2013).

⁷⁹ See Hugantong Xiangmu Xia Zhongguo Zhengjianhui Yu Xianggang Zhengjianhui Jiaqiang Jianguan Zhifa Hezuo Beiwanglu (沪港通项目下中国证监会与香港证监会加强监管执法合作备忘录) [Memorandum of Understanding between the CSRC and the SFC on Strengthening of Regulatory and Enforcement Cooperation under Shanghai-Hong Kong Stock Connect] (promulgated by China Securities Regulatory Commission, Oct. 2014, effective Oct. 17, 2014) (Chinalawinfo).

⁸⁰ See *Joint Announcement of the CSRC and the SFC regarding the official launch of the SZSE*, <https://www.sfc.hk/en/News-and-announcements/Policy-statements-and-announcements/Joint-Announcement-of-the-China-Securities-Regulatory-Commission-and-20161125> (last updated Nov. 25, 2016).

⁸¹ See China Securities Regulatory Commission & Hong Kong Securities and Futures Commission, *Memorandum of Understanding between the CSRC and the SFC on Strengthening of Regulatory and Enforcement Cooperation under the Mutual Access between the Mainland and the Hong Kong Stock Markets*, https://www.sfc.hk/-/media/EN/files/ER/MOU/ENF_MOU_Eng_2016.pdf.

fulfil the needs of investors.⁸² As of April 2022, there are 385 stocks available for trade under Hong Kong Connect and 2385 stocks available for trade under the China Connect of the Shanghai-Hong Kong Stock Connect;⁸³ and 547 stocks available for trade under Hong Kong Connect and 3028 stocks available for trade under the China Connect of the Shenzhen-Hong Kong Stock Connect.⁸⁴ For the time being, there are no rules launched yet for the mutual access between BSE and the HKSE, but it is expected to be launched soon too. The stock connect is also available for investors from Macao where investors can trade stocks from Hong Kong, Shanghai and Shenzhen via their desired financial institutions. The establishment of Macau Stock Exchange is still ongoing, and stock connect will be a special feature to achieve connectivity between Macao and with different financial markets in China and to the rest of the world.

Meanwhile, the Macao Government has recently approved the establishment of Micro Connect (Macao) Financial Assets Exchange Co. Ltd, with the purpose to promote financial asset transaction services. It is founded by Li Xiaojia, the former president of the HKSE and has an establishment capital of 120 million.⁸⁵ It works as a new financial platform that allows global investors to invest in the small and micro enterprises from China in the form of exchange-tradable products, “Daily Revenue Contract Certificates” (DRCC), investors participate in the development of the small and micro enterprises and participate in the daily income sharing equity and obtain the income return from the small and micro enterprises. As of 30 November 2022, Micro Connect has signed more than 170 chain brands and nearly 1800 physical stores covering areas of retail, catering, service and culture and sports.⁸⁶ According to Li Xiaojia in a news interview, China has 70 million stores, and this brings in a huge business opportunity for Micro Connect. He further explains the reason to establish Micro Connect in Macao, firstly because it is a consensus in the Guangdong-Hong Kong-Macao GBA to support the real economy, support small and micro enterprises, and support innovative enterprises, and Macao is

⁸² See *Joint Announcement of the CSRC and the SFC regarding adjustment of daily quota*, <https://www.sfc.hk/en/News-and-announcements/Policy-statements-and-announcements/Joint-Announcement-of-the-China-Securities-Regulatory-Commission20181104> (last updated April 11, 2018).

⁸³ See Shanghai Stock Exchange website, <http://www.sse.com.cn/services/hkexsc/disclo/eligible/> (last visited Dec. 28, 2022); See Hong Kong Stock Exchange website, https://www.hkex.com.hk/Mutual-Market/Stock-Connect/Eligible-Stocks/View-All-Eligible-Securities?sc_lang=en (last visited Dec. 28, 2022).

⁸⁴ Shenzhen Stock Exchange, see *supra* note 67. See Beijingshi Zhengquan Jiaoyisuo Xiang Buteding Hege Touzizhe Gongkai Faxing Gupiao Zhuze Guanli Banfa (Shixing) (北京市证券交易所向不特定合格投资者公开发行股票注册管理办法(试行)) [The Measures for the Administration of the Registration of Public Offerings of Stock to Unspecified Qualified Investors on Beijing Stock Exchange (for Trial Implementation)] (promulgated by China Securities Regulatory Commission, Oct. 30 2021, effective Nov. 15, 2021) art. 3 (Chinalawinfo).

⁸⁵ Aomen Tebie Xingzhengqu Xingzheng Zhangguan Bangongshi Di 47/2022 Hao Xingzheng Mingling (澳门特别行政区行政长官办公室第47/2022号行政命令) [Executive Order no. 47/2022] (promulgated by the Chief Executive of Macao Nov. 30, 2022, effective Nov. 30, 2022) (Chinalawinfo).

⁸⁶ Charles Li & Gary Zhang, *The Micro Connect White Paper*, MICRO CONNECT, <https://microconnect.com/the-micro-connect-white-paper/> (last visited Dec. 20, 2022).

no exception. Secondly, Macao is a free port for trade and has an open international market and finally the trading venues for stocks in Macao is relatively small, the trading model of Micro Connect is innovative. It is different from traditional finance, and it may be easier to grow in Macao.⁸⁷ The approval of the establishment of Micro Connect in fact fits in well with China's multi-tiered capital system, a lot of small and micro enterprises do not meet the basic entry requirement to any stock exchanges in China and they face difficulties to even obtain finance via bank loan, and here Micro Connect provided a new platform to help them obtain finance way easier.

C. The Macao's Bond Market and connectivity

The bond market is an area where the Policy Address have stressed for development and the Macao government has been working consistently in the development of the bond market, in perfecting laws, developing talents and attracting experts in this field. The Chongwa (Macao) Financial Asset Exchange (MOX) was established in 2018 and it is currently the only exchange platform in Macao to facilitate bond issuance, trading and settlement services.⁸⁸ Later in 2021, the Macau Monetary Authority (AMCM) has established a security and bond depository and clearing platform, named Macao Central Securities Depository and Clearing Limited (MCSD), which is fully owned by the AMCM, and it provides registration, clearing, settlement, depository and other related services for securities and bonds.⁸⁹ In accordance with “*Guideline on Bond Registration and Settlement*” of the AMCM, all bonds issued in Macao are subjected to centralized registration, custody and settlement at the MCSD.⁹⁰ Another milestone for the development of the bond market is the Central Security Depository System (CSD), which is an important financial market infrastructure for the settlement of bonds and securities, it is operated by the MCSD and was launched on 15 December 2021.⁹¹ The AMCM is the official numbering agency for bonds in Macau, it is also a member of the Association of National Numbering Agencies (ANNA),⁹² therefore it is responsible for the issuing and maintaining the International Securities Identification Number (ISIN) and related codes for locally issued bonds. The ISIN is an international identification for securities

⁸⁷ *Macao Approves, Li Xiaojia speaks out*, Finance Sina, <https://finance.sina.com.cn/stock/hkstock/hkstocknews/2022-12-06/doc-imqmmthc7178298.shtml> (last visited Dec. 20, 2022).

⁸⁸ See Chongwa (Macao) Financial Asset Exchange Co. Ltd, https://www.cmox.mo/wcm/macao_en/html/index.html (last visited May. 10, 2022).

⁸⁹ See Macao Central Securities Depository and Clearing Limited, <https://www.mcscd.com.mo/en/> (last visited May 10, 2022).

⁹⁰ See *Guidelines on Bond Registration and Settlement*, AMCM, (Dec. 15, 2021), https://www.amcm.gov.mo/files/021_b_2021_dsb_amcm_eng.pdf.

⁹¹ See Macau Monetary Authority website, <https://www.amcm.gov.mo/zh/news-and-announcements/press-releases/gap/20211215-mcsd> (last visited May 10, 2022).

⁹² See Association of National Numbering Agencies, <https://www.anna-web.org/> (last visited May 12, 2022).

and bonds, it allows the investment products to be recognized and traded between investors and financial institutions internationally. Therefore, bonds issued in Macao will benefit with an international recognition, international investors can freely trade in a more efficient, safer and more stable environment.

In 2019, the China Central Depository & Clearing Co., Ltd. (CCDC) together with the MOX signed a Memorandum of Understanding for cross-border connectivity where CCDC assisted MOX in the construction of the bond issuance's system and facilitated the free trade zone bonds that are registered in CCDC to be listed in Macao.⁹³ Through the partnership between the two institutions, the "MOX Mode" is created, information of bonds issued in China are now able to be revealed and displayed in Macao and information of five Chinese bond indexes is now accessible in the MOX too,⁹⁴ which benefitted international investors and local investors to have better access to the information of the China's bond market. In order to attract and facilitate foreign investors to trade in the China's bond market, the CCDC also implemented different connectivity schemes such as the CIBM Direct (also known as Global Connect), which is for foreign investors abroad; and the Bond Connect, for Hong Kong investors. In striving to better promote the development of Macao's bond market, the MOX has entered into a partnership with the Luxembourg Stock Exchange (LuxSE), the Memorandum of Understanding was signed in January 2020,⁹⁵ for the cooperation in promoting cross-border investment and liquidity for offshore Renminbi denominated financial products, and the agreement aims to establish connectivity between the capital market and international investors. Further cooperation agreement was signed in March 2022, with the aim to facilitate access to LuxSE for Chinese corporate issuers in China by establishing a channel for securities listed on MOX to be registered on LuxSE's Securities Official List. This groundbreaking "one-stop dual listing" service allowed bonds listed on MOX to be dual-listed in the LuxSE too. MOX further claimed that they will continue to carry out cooperation with other leading markets in Asia and Europe, striving for continuous development for the Macao's bond market and opt for a successful diversification of the Macao modern financial service.⁹⁶

⁹³ The CCDC functions as a Central Securities Depositories (CSD) and a Securities Settlement System (SSS) serving China's financial market. The CCDC is also responsible for the issuance, depository, settlement, principal and interest payment, valuation, collateral management, and information disclosure for the China's bond market. See China Central Depository & Clearing Co., Ltd website, <http://www.ccdc.com.cn/ccdc/en/index.shtml> (last visited May. 17, 2022).

⁹⁴ The five China Bond Indexes now accessible through MOX are respectively the Green Bond Indices, the USD Bond Indices, the Offshore Bond Indices, Guangdong-Hong Kong-Macao GBA Bond Indices and Custom Indices.

⁹⁵ See Luxembourg Stock Exchange website, <https://www.bourse.lu/pr-luxse-mou-mox> (last visited May. 19, 2022).

⁹⁶ See MOX's interview made to local business magazine Macau Business, <https://www.macao-business.com/it-is-important-to-enhance-the-interconnectivity-between-the-macao-bond-market-and-the-world/> (last visited May. 19, 2022).

In order to attract enterprises to issue bonds in Macau, the Executive Committee of the Hengqin Guangdong-Macao In-depth Cooperation Zone has deliberated and adopted a “*Special Support Measures for the Hengqin Guangdong-Macao In-Depth Cooperation Zone to support Enterprises in Issuing Corporate Bonds in Macao (Interim)*”,⁹⁷ under this rule, enterprises in the In-depth Cooperation Zone who successfully issued corporate bonds in Macao are eligible to be given a one-off financial support, based on 0.8% of their actual fundraising scale, with a limit not exceeding 5 million Renminbi. In addition, green bonds can receive an extra 500,000 Renminbi as external review costs on top of the general support.⁹⁸ With the special support from China, enterprises enjoy lower costs for issuing and listing their bonds in Macao, currently around 80% of the free trade zone bonds are listed in Macao.⁹⁹ The Macao bond market is developing rapidly, information from the AMCM shows, as of September 2022, a total of 88 issuers and 132 bonds have been issued and listed in Macao since 2018 and raised approximately MOP\$ 340 billion.¹⁰⁰ Entities that have successfully issued bonds in Macao include the Ministry of Finance of China; the People’s Government of Guangdong Province; local bank Luso International Banking Limited; State-owned banks BOC and ICBC; State-owned enterprises Fujian Investment & Development Group and Zhuhai Huafa Group and local gaming operator SJM Holdings Limited.¹⁰¹ The Macao bond market enriches the variety of investment products for investors and the use of Renminbi in the subscription of bonds further promote the internationalization of the currency. Issuers enjoy lower issuance and listing costs, a stable financial market, also benefit from limiting the risk of exchange rate fluctuation of RMB bonds in the free trade zone. The Macao bond market is rapidly developing and gaining extreme importance for the development of the Macao’s financial industry which helps the city in achieving a more diversified economy.

⁹⁷ See Hengqinyueao Shendu Hezuo Qu Zhixing Weiyuanhui Guanyu Yinfa Hengqinyueao Shendu Hezuo Qu Zhichi Qiye Fu Aomen Faxing Gongsi Zhaiquan Zhuan Xiang Fuchi Banfa (Zanxing) De Tongzhi (横琴粤澳深度合作区执行委员会关于印发《横琴粤澳深度合作区支持企业赴澳门发行公司债券专项扶持办法(暂行)》的通知) [Special Support Measures for the Hengqin Guangdong-Macao In-Depth Cooperation Zone to support Enterprises in Issuing Corporate Bonds in Macao (Interim)], (promulgated by Executive Committee of Hengqin Guangdong Macao Deep Cooperation Zone, Nov. 4, 2022, effective Nov. 4, 2022) (Chinalawinfo).

⁹⁸ *Id.* art. 5.

⁹⁹ Ao Zhaiquan Shichang Guimo Yu 3,400 Yi (澳債券市場規模逾3,400億) [The size of Macao bond market exceeds 340 billion] (Oct. 12, 2022), https://www.cyberctm.com/zh_TW/news/detail/2894037#.Y6RwTOxBzz9.

¹⁰⁰ Aomen Zhaiquan Shichang Kuaisu Fazhan Zhi Shangyuedi Zongguimo Yu 3,400 Yi Aomenyuan (澳門債券市場快速發展 至上月底總規模逾3,400億澳門元) [MOX: Macau’s bond market has developed rapidly to a total size of more than 340 billion], JIE BAO, (Oct. 12, 2022), <https://www.click2macao.com/2022/10/12/mamzqsck/>.

¹⁰¹ Tony Lai, *It is important to enhance the interconnectivity between the Macau bond market and the world*, MACAU NES AGENCY, <https://www.macaubusiness.com/it-is-important-to-enhance-the-interconnectivity-between-the-macau-bond-market-and-the-world/> (last visited May. 13, 2022).

V. CONCLUSION

For a long time, Macao has been suffering from an unbalanced industrial structure, where the gaming industry accounts for 51.02% of the city's economic structure. From year 2020, all industries in Macao had a hard hit by the pandemic, and taxations paid to the government were seriously affected. The Macao Government, together with the support from the PRC Central Government, had urged and implemented special measures to speed up the process for the diversification of the economy; by positioning Macao as "One Center, One Platform, One Base" to establish a diverse and sustainable industrial structure. The national strategy for the construction of the Guangdong-Hong Kong-Macao GBA has allowed Macao and other municipalities to be connected and be given the opportunity for mutual access to each other's market. The 9 municipalities of the GBA have a total population of 86 million and a GDP of 1668 billion USD, which create huge business opportunities for businesses to access, the cooperation between Guangdong and Macao in the construction of Hengqin in developing an in-depth cooperation zone and a cross-border financial cooperation demonstration zone further expand the functions of Macao acting as a service platform between Chinese and Portuguese-speaking countries; and further promote financial opening, innovation, connectivity and deepen the cooperation within the GBA. Financial service is one of the industries where both the Central government and the Macao government have expressly mentioned and called for development; with focus on development of the Macao bond market, wealth management service, conduct a stock market using Renminbi for settlement and a cross-border Renminbi clearing center, financial leasing business and green finance business. There are so much undergoing including review of financial laws and other regulatory measures to best fit the continuous development of the financial industry, the Financial System Act and Tax Law are under reviewed, and the government is studying the enactment of Securities Law and Listing Rules. The Trust Law is already effective since 1 December 2022, which is claimed to be a breakthrough for the Macao Financial System, as it creates the legal basis for the long-term development of wealth management business and allows financial institutions to develop more competitive wealth management products and attracts more overseas customers. It further supports Macao to develop as a modern financial industry and to achieve industrial diversification. A well-structured and protected capital market should be regulated and give enough confidence and protection for investors to invest. In addition, the Macao government have implemented measures to support citizens who are interested to work in the financial services to have subsidies in taking financial courses and get relevant qualifications; more to that, the government is also attracting talents and experts from abroad to work in Macao, to play a part in the development of the financial industry. The construction of the Macao Stock Exchange is rigorously undergoing, as there are already well-developed HKEX and SZSE in the GBA,

therefore, it is important for Macao to find its positioning and to know clearly what the market demands, to know its strengths and assist China to continue develop its multi-tiered capital market. In order to have an attractive market, the Macao government should also consider measures to lower market transaction costs and a lower entry barrier and most importantly to have listing rules which cover transfer listing to other stock exchanges in China, furthermore, measures on mutual access would be crucial too in order to attract foreign investors and allowing greater access to the market; and finally market transparency, disclosure of information and corporate governance should be considered carefully too. According to MacNeil and Lau, the listing rules, the securities law, and the company law form a three-tier structure of corporate regulation.¹⁰² There are much more the Macao government must work on to develop the financial industry further and according to Watts, “A developed capital market depends on well-managed companies, experienced investors, and prudent intermediaries seeking continuing success, all supported by an effective legal system to resolve disputes and established accounting procedures to guide the decisions of all participants”.¹⁰³ It is encouraging that the effort of the Macao government has been paid off, data from the Macao Statistics and Census Services shows the industrial structure of the financial industry positioned at 6.85% in 2019, grew to 13.5% in 2020 and further climbed to 15.4% in 2021,¹⁰⁴ which made the financial industry as the second largest industry in Macao.¹⁰⁵ Connectivity and mutual access are crucial for the further development of the financial industries and the Macao government should continue to enhance measures to attract investors and businesses to come to Macao.

¹⁰² Iain MacNeil & Alex Lau, *International corporate regulation: Listing rules and overseas companies*, 50 INTERNATIONAL AND COMPARATIVE LAW QUARTERLY 787–810 (2001).

¹⁰³ AVERY, ZHU & CAI, *supra* note 79, at (page 264).

¹⁰⁴ *The economy is moderately diversified: the financial industry has become the second largest industry and the proportion of GDP has expanded to 15.4%*, MACAO MONETARY AUTHORITY, <https://www.amcm.gov.mo/zh-hant/news-notice/statement/detail/20221119/883>, (last visited Dec. 10, 2022).

¹⁰⁵ See Government of Macao Special Administrative Region Statistics and Census Service, <https://www.dsec.gov.mo/Diversification/> (last visited Dec. 24, 2022).