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RESTRICTED

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Committee on Trade in Financial Services

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COMMUNICATION FROM HONG KONG, CHINA

Revised Offer on Financial Services

Revision

The following communication is circulated at the request of Hong Kong, China to members of the Committee on Trade in Financial Services.

Further to the initial offer contained in S/FIN/W/12/Add.4 dated 11 July 1997, the Government of the Hong Kong Special Administrative Region (HKSAR) of China is pleased to submit the attached revised offer on financial services.

The revised offer contains technical amendments to the initial offer submitted by Government of the HKSAR on 11 July 1997. The purpose is to :

- (a) improve the headnote with a view to clarifying the commitments made with respect to Mode 1 (cross-border supply) and Mode 2 (consumption aboard) supply of financial services inscribed in the offer; and
- (b) simplify the language used in the offer without altering the value or substance of the commitments.

The revised offer is conditional and the Government of the HKSAR reserves the right to modify or withdraw all or part of the commitments on or before 12 December 1997.

HONG KONG SPECIAL ADMINISTRATIVE REGION OF CHINA
REVISED OFFER OF FINANCIAL SERVICES - SCHEDULE OF SPECIFIC COMMITMENTS

Modes of supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence 4) Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
FINANCIAL SERVICES <u>Mode 1/Mode 2</u> The commitments made with respect to mode 1 (cross-border supply) and mode 2 (consumption abroad) supply of financial services inscribed in this section of the Schedule do not signify a commitment to allow a service supplier from the territory of another Member to carry on business, hold out to carry on business or solicit business or to conduct marketing in the Hong Kong Special Administrative Region (HKSAR) of China.			
<u>All Insurance and Insurance-Related Services</u> Life, accident and health insurance services Non-life insurance services	(1) Unbound (2) None other than that statutory insurances which include third party liability in respect of vehicles and vessels and employer's liability insurance in respect of employees must be purchased from an insurer authorized in HKSAR. (3) None other than that under the Insurance Companies Ordinance , only a company or an association of underwriters is permitted to carry on insurance business. In the case of the former, commercial presence must take the form of a subsidiary, branch or representative office, although insurance business may not be carried out through a representative office.	(1) Unbound (2) Unbound (3) None other than that the chief executive appointed by the an authorized insurer authorized in HKSAR must appoint a locally-based chief executive should normally reside in HKSAR.	

Modes of supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence 4) Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
Reinsurance and retrocession	(4) Unbound except for intra-corporate transfer of general managers, senior managers and specialists as set out in the Attachment to GATS/SC/39. ¹	4) Unbound	
	(1) None, provided that the insurance company is a company incorporated outside HKSAR which carries on in HKSAR reinsurance and retrocession business only and has no agent nor place of business in HKSAR.	(1) Unbound	
	(2) None	(2) Unbound	
	(3) None other than that under the Insurance Companies Ordinance , only a company or an association of underwriters is permitted to carry on insurance business. In the case of the former, commercial presence must take the form of a subsidiary, branch or representative office, although insurance business may not be carried out through a representative office.	(3) None other than that the chief executive appointed by the an authorized insurer authorized in HKSAR must appoint a locally-based chief executive should normally reside in HKSAR.	
	(4) Unbound except for intra-corporate transfer of general managers, senior managers and specialists as set out in the Attachment to GATS/SC/39. ¹	(4) Unbound	

¹ Commitments on presence of natural persons are confined to businesses regulated under HKSAR banking, securities, insurance and related legislation.

Modes of supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence 4) Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
Services auxiliary to insurance (including broking and agency services)	<p>1) None other than:</p> <p>(a) that insurance brokers and agents must be registered agents or authorized insurance brokers; and</p> <p>(b) claims settlement services, except for settlement of claims under contracts of goods in transit insurance entered into wholly outside HKSAR in respect of goods consigned to HKSAR.</p> <p>(2) None</p> <p>(3) None unless the supply of any such services can be regarded as carrying on or holding oneself out as carrying on any class of insurance business in or from HKSAR in which case the limitations as set out under "Life, accident and health insurance services, non-life insurance services", and "reinsurance and retrocession" (above) shall apply.</p> <p>(4) Unbound except for intra-corporate transfer of general managers, senior managers and specialists as set out in the Attachment to GATS/SC/39.¹</p>	<p>(1) Unbound</p> <p>(2) Unbound</p> <p>(3) None</p> <p>(4) Unbound</p>	

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Modes of supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence 4) Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
<p>Banking and Other Financial Services (excluding insurance)</p> <p>Acceptance of deposits and other repayable funds from the public</p>	<p>(1) Unbound</p> <p>(2) None</p> <p>(3) None other than that commercial presence must take the form of a subsidiary, branch or representative office, subject to the following :</p> <p>(a) Under existing authorization criteria, applications for a new full banking licence from banks incorporated outside HKSAR may be granted for branches only. Such banks may maintain (i) offices to which customers have access for the purpose of banking business and/or for the arranging or entering into of any other financial transactions in only one building ("Office" includes automatic teller machines or similar terminal devices)-; and Such banks may also maintain (ii) no more than two additional offices (other than an automatic teller machine or similar device) to which customers and others have access for the purpose of any other type of business in a separate building or buildings. Such offices may consist of not more than one regional office and one back office.</p>	<p>(1) Unbound</p> <p>(2) Unbound</p> <p>(3) None other than that all authorized institutions authorised under the Banking Ordinance must appoint a chief executive and not less than one alternative chief executive, each of whom is subject to a residence requirement who must normally reside in HKSAR.</p>	

Modes of supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence 4) Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
	<p>(b) Limited companies incorporated in HKSAR which have been institutions authorised under the Banking Ordinance for at least ten years and are closely associated and identified with Hong Kong may also apply for a new full banking licence.</p> <p>(c) Banks incorporated overseas may apply for a licence to operate a restricted licence bank or a deposit-taking company. Such restricted licence banks may maintain offices to which customers have access for the purpose of the taking of deposits and/or the arranging or entering into of any other financial transactions in only one building ("Office" includes automatic teller machines or similar terminal devices). Such banks may also maintain no more than two additional offices (other than an automatic teller machine or similar device) to which customers and others have access for the purpose of any other type of business in a separate building or buildings. Such offices may consist of not more than one regional office and one back office are subject to the same provisions in para (a)(i) and (a)(ii) above.</p> <p>Banks incorporated overseas may also set up representative offices in HKSAR, but such offices are prohibited from taking deposits or from undertaking banking business generally.</p>		

Modes of supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence 4) Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
Lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transaction.	(4) Unbound except for intra-corporate transfer of general managers, senior managers and specialists as set out in the Attachment to GATS/SC/39. ¹	(4) Unbound	
	(1) Unbound	(1) Unbound	
	(2) None	(2) Unbound	
	(3) None	(3) None	
All payment and money transmission services	(4) Unbound except for intra-corporate transfer of general managers, senior managers and specialists as set out in the Attachment to GATS/SC/39. ¹	(4) Unbound	
	(1) Unbound	(1) Unbound	
	(2) None	(2) Unbound	
	(3) None	(3) None	
	(4) Unbound except for intra-corporate transfer of general managers, senior managers and specialists as set out in the Attachment to GATS/SC/39. ¹	(4) Unbound	

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Modes of supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence 4) Presence of natural persons

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
<p>Trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise the following:</p> <ul style="list-style-type: none"> - Money market instruments (cheques, bills, certificate of deposits, etc.) - foreign exchange - derivative products including futures and options - exchange rate and interest rate instruments, including products such as swaps, forward rate agreements, etc. - transferable securities 	<p>(1) Unbound</p> <p>(2) None</p> <p>(3) None other than the following: Only corporations incorporated in HKSAR, or natural persons born in HKSAR or resident in HKSAR for five of the preceding seven years, or partnerships composed of such persons, may become members of the Stock Exchange of Hong Kong Limited.²</p> <p>Only corporations incorporated in HKSAR may become members of the Hong Kong Futures Exchange.</p> <p>(4) Unbound except for intra-corporate transfer of general managers, senior managers and specialists as set out in the Attachment to GATS/SC/39.¹</p>	<p>(1) Unbound</p> <p>(2) Unbound</p> <p>(3) None other than that for dealing in securities or commodities futures, there is a residence requirement in HKSAR in respect of a sole proprietor, or, in the case of a partnership or company, in respect of at least one partner or director, who is registered as a dealer.</p> <p>(4) Unbound</p>	

² The residence requirement for memberships can be waived for persons of good reputation with substantial experience of dealing in securities.

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Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
Participation in issues of all kinds of securities, including underwriting and placement as agent (whether publicly or privately) and provision of services related to such issues.	<p>(1) Unbound</p> <p>(2) None</p> <p>(3) None</p> <p>(4) Unbound except for intra-corporate transfer of general managers, senior managers and specialists as set out in the Attachment to GATS/SC/39.¹</p>	<p>(1) Unbound</p> <p>(2) Unbound</p> <p>(3) None other than that if registration as a dealer is required, as it is in the case of public issues, the limitations as for dealers (above) shall apply.</p> <p>(4) Unbound</p>	
Asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial management, depository and trust services.	<p>(1) Unbound</p> <p>(2) None</p> <p>(3) None</p> <p>(4) Unbound except for intra-corporate transfer of general managers, senior managers and specialists as set out in the Attachment to GATS/SC/39.¹</p>	<p>(1) Unbound</p> <p>(2) Unbound</p> <p>(3) None</p> <p>(4) Unbound</p>	

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Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
Advisory and other auxiliary financial services on all the activities listed in subparagraph 5(a)(v) to (xv) of the Annex on Financial Services, including credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy.	(1) Unbound	(1) Unbound	
	(2) None	(2) Unbound	
	(3) None	(3) None	
	(4) Unbound except for intra-corporate transfer of general managers, senior managers and specialists as set out in the Attachment to GATS/SC/39. ¹	(4) Unbound	
Provision and transfer of financial information, and financial data processing and related software by providers of other financial services.	(1) None	(1) Unbound	
	(2) None	(2) Unbound	
	(3) None	(3) None	
	(4) Unbound except for intra-corporate transfer of general managers, senior managers and specialists as set out in the Attachment to GATS/SC/39. ¹	(4) Unbound	

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