

Wealth Management Connect 2.0: Latest Enhancements to GBA Scheme

March 2024



Key regulatory updates on cross-boundary Wealth Management Connect

New revisions to the cross-boundary Wealth Management Connect (WMC) include expanding the scheme to include securities firms, increasing the individual investor quota and relaxing the scope of eligible products. Financial institutions in Hong Kong SAR will benefit from being able to provide a wider range of product options and the potential to expand their customer base in the Chinese Mainland.

WMC was launched in September 2021 as one of the Greater Bay Area (GBA) schemes to enhance mutual market access, which also include Stock Connect and Bond Connect. WMC allows eligible residents of Hong Kong, Macao and Guangdong to invest in wealth management products distributed by banks in each other's market through a closed-loop funds flow channel.

In January this year, the revised "Implementation Arrangements for the Cross-boundary WMC Pilot Scheme in the GBA" and "Circular to Licensed Corporations Participating in WMC Pilot Scheme" were published by the People's Bank of China and Hong Kong's Securities and Futures Commission (SFC). The updated rules, known informally as WMC 2.0, came into effect on 26 February, 2024.

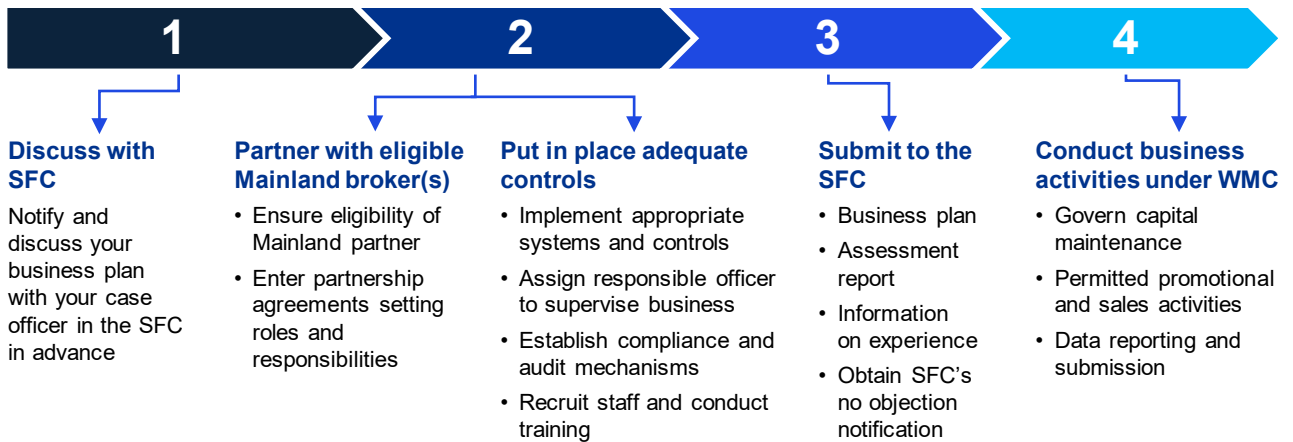
Key enhancements to WMC 2.0 include:

- Expansion to include security firms. This allows investors to directly open accounts and engage in investment product subscriptions through Licensed Corporations (LCs).
- Increase in individual investor quota, refining the participation criteria for both investors and LCs.
- Relaxation of the scope of eligible investment products.
- Further clarification of details on promotion and sales arrangements.

Potential benefits of the revised scheme

- 1** Expands the customer base of the WMC, specifically targeting residents of the nine mainland GBA cities, while also creating potential for future customer growth in other areas of wealth management.
- 2** Potential to increase investment product subscriptions and generate additional revenue by offering new cross-boundary investment services to eligible investors, as well as providing comprehensive support services.
- 3** A more diverse range of wealth management products is expected to enhance customer satisfaction among existing and prospective clients and foster loyalty.
- 4** Gain broader access to the Chinese Mainland markets and establish a strong presence across the GBA. Hong Kong-based firms can leverage WMC to build a reputation as a trusted service provider in the region.

Key Actions



How KPMG can help

Assessment	End-to-end Transition	GBA Market Share
<ul style="list-style-type: none"> • Conduct gap analysis between the institution's current state of documentations and operating flow and the expected standards from the regulators and market practice, and provide recommendations. • Based on the results of the analysis, we will then discuss our observations and recommendations with you and document these in an assessment report for your internal use. Our observations can also assist you in preparing submissions to the regulators. 	<ul style="list-style-type: none"> • End-to-end business revamp and project implementation to establish comprehensive business and operation strategy and foster a smooth transition to successfully participate in the WMC scheme. • Development of strategic planning and target operating model, as well as daily project management to achieve operation excellence. 	<ul style="list-style-type: none"> • Perform market research to identify potential business partners that can enhance your GBA exposure and expand your customer base. Ongoing sharing of market knowledge can help you maintain sustainable growth. • Offer regulatory compliance guidance and conduct due diligence on potential partner institutions to ensure compliance. • Provide ongoing support to foster multi-partner relationships and facilitate communication to identify opportunities for further growth.

Contact us



Tom Jenkins

Head of Governance, Risk and Compliance Services
KPMG China
+852 2143 8570
tom.jenkins@kpmg.com



Edna Wong

Partner
Governance, Risk and Compliance Services
KPMG China
+852 2143 8693
edna.wong@kpmg.com



Simmy Ko

Partner
Financial Services
KPMG China
+852 2143 8697
simmy.ko@kpmg.com



Larry Choi

Partner
Head of Financial Services, Southern China
KPMG China
+86 755 2547 3388
larry.choi@kpmg.com



Mandy Chung

Director
Business Development, Securities & Asset Management
KPMG China
+852 2140 2364
mandy.chung@kpmg.com

kpmg.com/cn/socialmedia



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