

Financial Sector’s Role in Supporting the High-quality Development of the Guangdong-Hong Kong-Macao Greater Bay Area

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High-quality economic development is inseparable from the value discovery, resource allocation and risk management functions of the financial system. As an advantageous industry in the Guangdong-Hong Kong-Macao Greater Bay Area (hereinafter referred to as the Greater Bay Area), the financial industry should play and is capable of playing an significant role in supporting its high-quality development. The key to financial support for the high-quality development of the Greater Bay Area is to seize its specific characteristics and the demand for financial services in the development process, and focus on improving the adaptability, internationalization and inclusiveness of the financial system to promote innovation-driven, green and low-carbon, open and integrated development and common prosperity in the Greater Bay Area.

1. New requirements of the high-quality development of the Greater Bay Area for the financial industry

A new round of sci-tech revolution and industrial transformation is booming around the world. Green economy and digital transformation have accelerated significantly. China's economy is at a critical stage of leapfrogging from the factor input-driven growth to a technological innovation-driven one. The formation of a “dual circulation” economic pattern is accelerating. In this context, as one of the most economically developed regions with the fastest transformation progress and the highest degree of openness in China, the high-quality development of the Greater Bay Area means that it needs to strongly promote innovation-driven development, green and low-carbon development, and open and integrated development for common prosperity through concrete measures.

Financial needs of innovation-driven development in the Greater Bay Area. Emerging industries, innovative enterprises and technological innovation activities are typically characterized by high returns and high risks, with large potential returns but

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high uncertainty. Financial support for the innovation-driven development of the Greater Bay Area requires a financial supply structure that is compatible with innovation entities and activities, with a huge demand for equity financing (e.g. angel investment, venture capital (VC), and the stock market) and long-term oriented patient capital with strong risk tolerance. At the same time, the characteristics of cluster innovation, international innovation and “supply chain supplementing” innovation in the Greater Bay Area also put forward specific requirements for finance. Firstly, debt financing support with high stability is needed. The Greater Bay Area boasts of benefits of industrial clustering characterized by whole-chain and cluster innovation in which node enterprises and a large number of supporting enterprises along the industrial chain develop collaboratively. There are multi-faceted supporting enterprises with extensive presence in trillion-level advanced manufacturing clusters, including new-generation information and communication technology clusters, intelligent mobile terminal clusters, intelligent equipment industrial clusters, and ultra-high-definition video and smart home appliance clusters etc. These supporting enterprises are not necessarily high-growth and innovative, but constitute an important cornerstone of innovation as a whole in the Greater Bay Area. Their stable operation needs to be supported by stable debt financing. Secondly, there is a need for more convenient cross-border financial support. The Greater Bay Area is highly internationalized, and there are a group of innovative companies with global influence and capabilities of resource allocation on a global scale. It has initially formed a global strategic layout of “global R&D + global application + global service”, and the flow of innovation elements and cooperative innovation between Hong Kong, Macau and the mainland in the Greater Bay Area have also become more frequent. This requires financial support for innovative entities in the Greater Bay Area in terms of investment and financing, incentive mechanism, and risk management for the global allocation of resources. Thirdly, technology insurance is needed to provide support for the application of new products. For the “supply chain supplementing” innovation, the difficulty lies in the formation of an iteration cycle of technological innovation and product application, which requires the adoption of technology insurance instruments (e.g. the insurance for the “first set of major technical equipment”, the insurance for the first application of new materials etc.) to effectively reduce the risks of product application parties.

Financial needs of green and low-carbon development in the Greater Bay Area.

The comprehensive green and low-carbon transformation of production mode and lifestyle is an extensive and profound economic and social systematic change. To financially support the green and low-carbon development of the Greater Bay Area, it is necessary to optimize the allocation structure of financial resources, make use of a variety of financial instruments to guide more funds to be invested in green industries and green economic activities, and provide financing support for massive green investments; institutional innovations, such as the carbon market, green and responsible investment etc., are also needed to rationalize the cost-benefit structure of green investment, and provide incentives and institutional guarantees for green transformation. At the same time, some characteristics of the green and low-carbon

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development of the Greater Bay Area have also put forward specific requirements for finance. Firstly, the proportion of manufacturing outputs in GDP is high in the Greater Bay Area, which makes it necessary to enhance the competitiveness of the manufacturing sector and keep its proportion in GDP stable in the green and low-carbon development. In 2021, the proportion of industrial outputs (mainly manufacturing outputs) in GDP was high for the mainland cities of the Greater Bay Area, approaching or exceeding 40%. Keeping the proportion of the manufacturing sector in GDP stable requires better synergy between green finance and manufacturing finance, maintaining the basic stability of the scale of manufacturing finance and promoting long-term financing. Secondly, the Greater Bay Area has abundant innovation resources with extensive use cases of green technology innovations and products, and it has the foundation and advantages to achieve green development by relying on technological innovation and industrial upgrading. This means that providing financing support for green technology innovation is an important focus of financial support for the green development of the Greater Bay Area. Finally, the Greater Bay Area is located in a low-latitude climate zone that is vulnerable to climate changes, where typhoons and other disasters occur frequently, generating a huge demand for catastrophe insurance.

Financial needs of the open and integrated development in the Greater Bay Area.

Financial opening-up is an important component of establishing a new system for higher-level open economy. The open and integrated development of the Greater Bay Area is based on the Bay Area and open to the world, requiring a higher level and more secure financial opening-up and cooperation. Firstly, the open and integrated development of the Greater Bay Area is the deep integration of Guangdong, Hong Kong and Macau, aiming to promote the economic integration of the Greater Bay Area and provide greater development space for Hong Kong and Macau. This requires improving the level of urban integration of financial services for people's livelihood (e.g. offsite account opening, payments, and loans) for residents in Guangdong, Hong Kong and Macau, and providing financial convenience for the smooth movement of people in the Greater Bay Area, and more Hong Kong and Macao residents to study, find jobs, start businesses, and enjoy elderly care in the mainland; financial market players including banks, securities firms, insurance companies etc. in the Greater Bay Area are required to enhance the level of two-way opening-up, deepen the financial cooperation between the Mainland and Hong Kong and Macao, improve the efficiency of competition through opening up, and provide lessons for mutual learning through cooperation; it also requires promoting the facilitation of cross-border trade, investment and financing in the Greater Bay Area, and improving the convenience of local and foreign currency exchange and cross-border circulation. Secondly, the open and integrated development of the Greater Bay Area is oriented towards the world, aiming to establish the new open economic system and contribute to an open world economy. This requires building an international financial hub in the Greater Bay Area, maintaining and enhancing Hong Kong's status as an international financial center, and enhancing the capabilities of economic entities in the Greater Bay Area to allocate global resources. Finally, the

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open and integrated development of the Greater Bay Area is for safer development, and it is necessary to effectively prevent and control financial risks in the process of opening up.

Financial needs of the Greater Bay Area towards common prosperity. To provide financial support for the Greater Bay Area towards common prosperity, it's necessary for the financial sector both to effectively support the economic transformation centered on innovation-driven development, thus enhancing the innovation capability and competitiveness of the Greater Bay Area and laying a solid material foundation for common prosperity, and to play a better role in enhancing the balance, coordination and inclusiveness of development. Firstly, higher requirements have been placed on inclusive finance, especially the financing of small and micro enterprises. There are numerous small and micro enterprises in the Greater Bay Area, which offer the largest opportunities of employment and concern the income and livelihood of most residents in the Greater Bay Area. They are facing the challenges of shrinking demand and supply shocks, so financial institutions are required to provide more accessible, stable and affordable financing support. Secondly, there are requirements to better meet the investment and financial management needs of residents. The per capita GDP of mainland cities of the Greater Bay Area has exceeded 15,000 US dollars, and a certain amount of household wealth has been accumulated. Increasing the property income of residents is an important way to expand the middle-income group in the Greater Bay Area, which has put forward the requirements on the financial sector to provide diversified investment channels for value preservation and appreciation. Third, there is an urgent need for ageing finance. The elderly people are prone to become financially vulnerable groups. The Greater Bay Area enjoys relatively low degree of population ageing, but has a large number of elderly people. Residents have greater demands for pension financial products, such as commercial pension insurance, pension wealth management, pension savings, and pension funds. Fourthly, socially responsible investment (SRI) is needed. A cluster of enterprises that take into account both commercial and social responsibilities are an important micro-foundation for promoting common prosperity, which puts forward requirements for guiding enterprises, including financial institutions, to better fulfill their social responsibilities through financial means such as socially responsible investment.

2. Current status of financial support for high-quality development of the Greater Bay Area

As an advantageous industry in the Greater Bay Area, the financial industry is also an important part of its economic competitiveness and has achieved positive results in promoting its high-quality development.

In terms of supporting innovation-driven development: firstly, a capital market-led financial support system for science and technology innovation has been basically established, and the matching degree between financial structure and technical level

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has been significantly improved. As the world's top-ranked stock markets, both the Hong Kong Stock Exchange and the Shenzhen Stock Exchange have dedicated boards to serve innovative companies and special systems for these companies; at the same time, companies in the Greater Bay Area also have showed high preference to the capital market. By the end of 2021, about 1,000 Guangdong-based companies have listed on the Shanghai and Shenzhen Stock Exchanges and the Hong Kong Stock Exchange, the total market value of listed companies has exceeded 26.5 trillion yuan, and the securitization rate has reached 213.4%. Secondly, the financial elements for science and technology innovation are complete and resources are abundant, and the capital market, VC funds, banks and insurers work together to support innovation in the Greater Bay Area. In terms of VC, the venture capital market in the mainland cities of the Greater Bay Area is active, with the number of institutions, asset under management and investment scale having long been in the leading position across China. The amount of venture capital investment reached 351.2 billion yuan in 2017. Although it has fallen since then, it still remained above 100 billion yuan in 2021, accounting for about 15% of China's total VC investment. In the banking sector, the Greater Bay Area has developed specialized institutions for technology finance, carried out financial innovations such as intellectual property pledge financing, and continued to increase financing support for high-tech enterprises. At the end of September 2021, the loan balance of high-tech enterprises in Guangdong Province reached 1.38 trillion yuan, an increase of 19.6% from the beginning of the year, and 8.4 percentage points higher than the growth rate of other types of loans over the same period; among which loans to technology-based SMEs reached 170.9 billion yuan, an increase of 24.8% from the beginning of the year. In the insurance industry, the types of intellectual property-related insurance products have been enriched, and the coverage of the first set of major technical equipment insurance, the insurance for the first application of new materials and patent infringement liability insurance has been expanded. In 2021, the net amount at risk for companies in Guangdong Province covered by technology insurance, the first set of major technical equipment insurance and the insurance for the first application of new materials reached 1.57 trillion yuan; relying on the four-in-one "insurance funds into Guangdong" platform of government departments, regulatory agencies, insurance companies, and financing entities, the Greater Bay Area has promoted the targeted investment of insurance funds into the construction of major projects such as Hengqin Science City. Thirdly, the government has played an important role in supporting technological innovation in financial services. For example, by the end of 2021, the number of government guidance funds in Guangdong Province has reached 162, with a total scale of 362.5 billion yuan, ranking first in China.

In terms of supporting green and low-carbon development: firstly, the supporting system for green finance has been improved at a fast pace. Cities in the Greater Bay Area have incorporated green finance into their development plans and improved the incentive and restraint mechanism for green finance. For example, Hong Kong, Guangzhou and Shenzhen have strengthened the assessment and evaluation of green finance business, and guided financial institutions to develop green finance business

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through subsidies, tax relief and other means. Information reporting and disclosure has been strengthened. The Hong Kong Stock Exchange issued a new version of the Environmental, Social and Governance (ESG) Reporting Guide in December 2019, with mandatory requirements for companies to disclose environment-related information. Guangzhou and Shenzhen also carried out pilot activities on environmental information disclosure by financial institutions. Cooperation on green finance policies has been enhanced. Guangzhou, Shenzhen, Hong Kong and Macau jointly established the Greater Bay Area Green Finance Alliance to promote the coordinated development of green finance in the three regions in the form of unincorporated and non-profit organizations. Secondly, various green finance elements, businesses or markets have begun to take shape. In terms of green bonds, as of the end of 2020, the total issuance of green bonds in Hong Kong was about 38 billion US dollars; by the end of 2021, the cumulative issuance of green bonds in Guangzhou and Shenzhen exceeded 96 billion yuan and 28.1 billion yuan respectively. In terms of green loans, the balance of green loans in the mainland cities of the Greater Bay Area was about 1.1 trillion yuan, including 540 billion yuan and 370 billion yuan for Guangzhou and Shenzhen respectively. In terms of green fund, by the end of 2021, the size of ESG funds in Hong Kong has exceed 1 trillion HK dollars (about 128 billion US dollars). In terms of green insurance, environmentally high-risk enterprises have been fully covered by compulsory environmental pollution liability insurance in Shenzhen. In terms of carbon market, as of the first half of 2021, the cumulative carbon emission quota trading volume in Guangdong and Shenzhen carbon markets reached 168 million tons and 49 million tons, making them the first and third largest local carbon markets in China; and Guangzhou Futures Exchange was officially established in April 2021, proposing to launch products such as carbon emissions futures.

In terms of supporting open and integrated development: firstly, the CEPA-based policy framework for financial opening-up has been continuously improved. In 2003, the Mainland of China signed the Closer Economic Partnership Arrangement (CEPA) with the governments of Hong Kong and Macau Special Administrative Regions. From 2004 to 2019, 10 Supplementary Agreements, the CEPA Agreement on the Basic Realization of Liberalization of Trade in Services between Guangdong Province and Hong Kong SAR, the CEPA Agreement on Trade in Services, the Agreement on Economic and Technical Cooperation between the Mainland and Hong Kong, and the CEPA Agreement on Trade in Goods, etc. were signed in succession. The above agreements have provided the master plan and arrangements for financial cooperation between the Mainland, Hong Kong and Macau, becoming an important policy framework for the financial opening-up and integrated development in the Greater Bay Area. Secondly, a relatively mature pipeline style opening-up model has been established. Pipeline style opening-up model, such as Shanghai-Shenzhen-Hong Kong Stock Connect, Bond Connect, Wealth Management Connect etc., not only facilitates the demand for cross-border financial asset transactions, but also reduces the disorderly disturbance of cross-border capital flows caused by speculative arbitrage funds and avoids major financial risks. Thirdly, the degree of two-way openness in

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the Greater Bay Area has been significantly improved. The Greater Bay Area has become one of the regions with the highest degree of financial openness in China. Guangdong takes the lead to achieve full coverage of prefecture-level cities by foreign banks, with the number of branches of Hong Kong and Macao banks ranking first in China; as of the end of 2021, 23 securities and fund companies in Guangdong were granted QDII licenses, with an approved QDII quota of 37.07 billion US dollars, an increase of 15% and 61.4% respectively compared with the beginning of the year; 23 funds of 9 fund management companies in Guangdong under mutual recognition of funds arrangements were registered with the Hong Kong Securities and Futures Commission (SFC), with the asset under management exceeding 110 billion yuan.

In terms of supporting and promoting common prosperity: firstly, the financing scale of small and micro enterprises has continued to grow. At the end of September 2021, the balance of inclusive loans to small and micro enterprises in Guangdong Province (loans with a single-account credit of 10 million yuan or less) was 2.66 trillion yuan, a year-on-year increase of 33.9%; the number of loan accounts reached 2.44 million, an increase of 560,000 over the same period last year. Among them, the balance of operating loans for individual industrial and commercial households was 478.1 billion yuan, a year-on-year increase of 24.2%, and the number of loan accounts was 960,000, an increase of 340,000 over the same period of the previous year. Secondly, the channels for residents' investment and wealth management have been broadened. In October 2021, the Cross-boundary Wealth Management Connect was officially launched in the Greater Bay Area, which provided a convenient channel for residents' cross-border and diversified investment in the three regions. In addition, the crackdown on illegal fund-raising activities has achieved remarkable results, and the safety of residents' property has been maintained. Thirdly, the policy environment for the development of ageing finance has been significantly optimized. The policy support for the third pillar pension plan has been significantly strengthened, and Shenzhen has become one of the pilot areas for pension wealth management services.

3. Deficiencies and obstacles in financial support for high-quality

development of the Greater Bay Area

Compared with the requirements for high-quality development of the Greater Bay Area, there are still many deficiencies or obstacles in today's financial support.

In terms of innovation-driven development: firstly, patient capital or long-term capital is still in shortage. It's common that venture capital funds tend to be short-term, and GBA's attractiveness to international venture capital is relatively insufficient. According to the data of Dealroom, an international research institute, venture capital investments in China amounted to about 62 billion US dollars in 2021, of which Beijing (13.6 billion US dollars) and Shanghai (13.4 billion US dollars) were the most sought-after cities for VCs, while cities in the Greater Bay Area were relatively less attractive. The lack of medium and long-term funds in China's stock market still restricts the efficiency of the stock market in serving innovation in the Greater Bay

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Area. Secondly, cross-border financial support for technological innovation still faces certain obstacles. For example, eligible small and medium-sized high-tech enterprises in the Greater Bay Area can independently borrow foreign debts within the limit of 5 million US dollars, which is still insufficient compared to the needs of technology companies for multiple rounds of financing. Thirdly, the coverage of technology insurance is still not wide enough, and the support for the “first set of major technical equipment” insurance and the insurance for the first application of new materials still needs to be further improved. Fourth, the financing difficulties of technology-based SMEs still exist.

In terms of green and low-carbon development: firstly, the resources of green finance do not match the pressure of green and low-carbon transformation. The resources of green finance in the Greater Bay Area are mainly concentrated in Hong Kong, where the pressure of transformation is less. In contrast, the pressure of green and low-carbon transformation is more concentrated in the mainland cities of the Greater Bay Area. Among them, the proportion of high-end manufacturing and service industries in GDP is high in Guangzhou and Shenzhen, where the pressure on green transformation is low, and financial resources are concentrated. However, other mainland cities have a higher share of energy-intensive industries and insufficient financial resources. Secondly, the synergy of green finance policies in the Greater Bay Area needs to be improved, and a green finance system with unified standards has not yet been established. There are neither unified standards for the classification and statistics of green finance, nor consistent criteria for information disclosure. For example, Hong Kong compels listed companies to disclose environmental information and gradually standardizes reporting standards, while the mainland has not yet required mandatory information disclosure of listed companies. Thirdly, it is difficult for low-carbon transformation activities in traditional industries to obtain financial support. Currently, financial support instruments such as green loans and green bonds in the Greater Bay Area are mainly targeted at green industries, including clean energy and green transportation. The transformation activities of high-carbon industries such as cement, steel and chemicals do not meet the definition of green, so it is difficult for them to obtain green financial support. Fourthly, the construction of financial infrastructure for carbon market development is lagging behind, and there is a lack of a calculable, reportable, and verifiable environmental benefit assessment system. For example, the carbon account system has not yet been established, and there is a lack of unified standards for carbon emission reduction measurement and effective data support for the calculation of carbon emission reduction. The third-party certification mechanism is insufficient, and the mutual recognition arrangements for the certification results of the three regions have not yet been clearly defined.

In terms of open and integrated development: firstly, the Greater Bay Area faces the constraints of differences in the financial systems of the three regions. Guangdong, Hong Kong and Macao are quite different in terms of financial laws, financial supervision concepts, and financial regulations, and the integrated development of

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finance faces high institutional costs. Secondly, it is restricted by the overall process of financial opening-up. The RMB adopts the managed floating exchange rate regime based on market supply and demand and adjusted with reference to a basket of currencies. The flexibility of the RMB exchange rate has been continuously improved in recent years, but it is still less flexible than that of the Hong Kong dollar and the Australian dollar. The capital account is not yet fully opened in the mainland, and it is difficult for funds in the Greater Bay Area to be easily transferred across the Guangdong, Hong Kong and Macau. The opening-up of capital account transaction and exchange in the mainland is not fully consistent. For some capital items, the transaction has been liberalized, but the exchange is still restricted. Although the current account is highly liberalized, the principle of time and demand must be followed and enterprises should provide documents and data as proof for foreign exchange settlement, sale and receipt and payment. Thirdly, the financial infrastructure is inconvenient and inconsistent. For example, in terms of demand for insurance services, there is no well-established mechanism for mutual recognition of test results and service qualifications, and medical data sharing of medical institution in Mainland China, Hong Kong and Macau. It is not uncommon for policyholders in the three regions to take repeated physical examinations during the underwriting stage and provide test results repeatedly during the claim stage.

In terms of promoting common prosperity: firstly, the government's efforts to disclose, share, and integrate credit information related to enterprises are insufficient. The tendency of banks to attach importance to mortgages and guarantees is still prominent, and problems such as poor financing stability and difficulty in financing still exist. Secondly, ageing finance is still in its infancy, and problems such as small scale, narrow product selection and insufficient investor awareness can be observed. At the same time, the advantages of ageing finance in Hong Kong cannot effectively radiate the mainland cities of the Greater Bay Area. Thirdly, the protection of the rights and interests of financial consumers needs to be further strengthened, and the financial investment channels of residents need to be further expanded. Fourth, the development of socially responsible investment is relatively lagging behind, and the role of finance in promoting enterprises to better fulfill their social responsibilities is insufficient.

4 Recommendations on improving financial sector's role in

supporting the high-quality development of the Greater Bay Area

Perfecting the financial system for science and technology innovation and improving its efficiency of supporting innovation-driven development. Firstly, efforts shall be made to create a pilot zone for the financial reform of science and technology innovation in the Greater Bay Area, and enhance the ability and level of serving technological innovation in deepening financial reform and opening up; explore the reform of state-owned venture capital institutions in follow-up investment, performance evaluation and incentive and restraint mechanism, and promote their

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long-term investment behavior, focusing on investment in small start-ups. Further efforts shall be made to deepen the commitment to the stock market reform of the Shenzhen Stock Exchange, improve the listing standards, allow unprofitable companies to get listed, and promote the interconnection between the Shenzhen Stock Exchange and the Hong Kong Stock Exchange; and support Shenzhen to build a trading center for intellectual property rights and ownership rights of scientific and technological achievements. Secondly, efforts shall be made to strengthen policy guidance and improve the level of financial services for science and technology innovation; continue to support financial institutions to set up specialized technology finance organizations, and guide them to innovate technology-based financing products; improve the public platform for promoting financial support for technological innovation, give full play to the role of the Greater Bay Area Technology Innovation Service Center, the Guangdong-Hong Kong-Macao Greater Bay Area Technology Finance Alliance, and the Technology Finance Roadshow Center, and provide a platform for sufficient integration of technology resources and financial resources; establish the Greater Bay Area Guidance Fund for Scientific and Technological Achievement Industrialization to leverage more social capital to invest in the industrialization of scientific and technological achievements and the incubation of technology enterprises, and serve the construction of an international technological innovation center in the Greater Bay Area; and set up the Greater Bay Area Financing Guarantee Fund and focus on financing guarantees for technology companies in the Greater Bay Area by referring to the innovative “loan-and-guarantee (automatic guarantee for eligible loans)” model led by the National Financing Guarantee Fund. Thirdly, efforts shall be made to promote the innovation of relevant cross-border financial products; support local banks in the mainland cities of the Greater Bay Area to explore cross-border intellectual property pledge loans and strengthen cooperation with VCs in the outside world on the premise of compliance with laws and regulations and controllable risks, make good use of cross-border fund pools and cross-border RMB investment and loan funds, reduce the financial indicator requirements of traditional cross-border two-way RMB fund pools for enterprises entering the pool, and establish more cross-border RMB investment and loan funds in the area, actively support enterprises in the Greater Bay Area to integrate innovation resources at home and abroad by means of equity investment and M&A loans etc., and improve supporting policies and rules of QFLP (Qualified Foreign Limited Partnership).

Vigorously developing green finance and increasing financial support for green and low-carbon development. Firstly, efforts shall be made to speed up the construction of a green finance center in Asia and enhance the radiation of green finance; take green finance as an important part of the construction of the financial hub in the Greater Bay Area, establish the coordinated development mechanism for green finance in the three regions, strengthen the support for Hong Kong Green Finance Center, and promote the innovation of green finance and the development of green bond markets in the three regions. Secondly, efforts shall be made to strengthen the infrastructure construction for green finance; promote the unification of green

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finance standards in the three regions, and establish a high-standard green finance taxonomy based on the EU-China Common Ground Taxonomy; establish quantifiable green rating system, promote mutual recognition of assessment results in Guangdong, Hong Kong and Macao, and speed up to establish the standards for the identification of standardized products such as green bonds and green funds; strengthen the disclosure of environmental information by enterprises and financial institutions, accelerate the establishment of corporate carbon account system, and improve the accuracy of basic data on corporate carbon emissions; promote financial institutions to disclose high-carbon asset holdings, and improve their risk awareness and management capabilities; and encourage third-party assessment and certification agencies in Hong Kong to develop business in the mainland cities. Thirdly, efforts shall be made to innovate green financial products and strengthen financial support for weak areas; encourage Hong Kong and Macao to set up ESG funds and wealth management products that focus on investing in green enterprises or projects in the mainland cities of the Greater Bay Area; strengthen financing support for carbon reduction in the energy industry and high-energy-consuming industries by drawing on the experience of the European Union in supporting companies with carbon emissions significantly lower than the industry average by using the industry-leading level as the technical screening criteria; promote the development of catastrophe insurance, strengthen the sharing of meteorological and disaster data in the Greater Bay Area, and encourage mainland insurance companies to issue catastrophe bonds in Hong Kong. Fourthly, efforts shall be made to explore the development of a unified carbon market in the Greater Bay Area and the introduction of foreign investors to participate in carbon market transactions, and connect with overseas carbon markets.

Deepening financial opening-up and promoting the integrated development of the Greater Bay Area. Firstly, efforts shall be made to increase the two-way opening up of the financial service sector in the Greater Bay Area; explore the establishment of a "single pass + off-site branch" model, and grant eligible financial institutions in the Greater Bay Area a "single pass" for related businesses to conduct business freely in the region; make good use of the policy of encouraging the offsite branch model of financial institutions in the CEPA, allow more mainland financial institutions in the Greater Bay Area to set up branches in Hong Kong, and attract more Hong Kong and Macau financial institutions to set up branches in the mainland, so as to enable the combination of "cross-border presence" of financial institutions and the "cross-border provision" of financial services in the Greater Bay Area; accelerate the construction of the Greater Bay Area Insurance Service Center; and promote mutual recognition of professional qualifications and "national treatment" for cross-border practice of professional services. Secondly, efforts shall be made to improve the interconnection mechanism and expand the opening up of financial market; improve the "Wealth Management Connect" in terms of relaxing quotas, expanding investable products and the scope of participating financial institutions etc.; launch "Insurance Connect" by learning from the "Wealth Management Connect" mechanism, to allow residents of the Greater Bay Area to purchase insurance products across borders within the quota; and encourage mainland life insurance companies to develop medical and life

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insurance products that can be commonly used in Hong Kong and Macau, so as to facilitate Hong Kong and Macau residents to enjoy their elderly years in the Greater Bay Area. Thirdly, efforts shall be made to strengthen regulatory cooperation and improve the level of financial infrastructure connectivity; explore the establishment of an exchange mechanism for supervisors from the three regions; promote the establishment of a pilot zone for financial regulation in the Greater Bay Area and explore the “regulatory sandbox”; carry out joint supervision, strengthen information sharing, and promote the establishment of a unified risk monitoring platform; promote the convergence of financial rules and standards in the Greater Bay Area; strengthen the coordination of financial and legal affairs in the Greater Bay Area, and explore the establishment of a cross-border financial affairs court in the Area. On the premise of abiding by the financial laws and regulations in China, and with reference to international rules, further efforts shall be made to establish rapid handling mechanism for financial disputes and uniformly handle the cross-border financial disputes in the Greater Bay Area, and improve the efficiency of financial dispute resolution.

Making great efforts to enhance the capability of the financial system to serve the goal of common prosperity. Firstly, efforts shall be made to increase financial support for small and micro enterprises; guide banks to provide timely, stable and affordable financing services for small and micro enterprises through financial subsidies, risk fund pools, policy guarantees, public platform for financing services and other tools; encourage financial institutions to use financial technology (Fintech) to provide digital inclusive financial services for small and micro enterprises; strengthen export credit support for small and micro enterprises, and enhance the capability of financial institutions to provide low-cost exchange rate hedging services for small and micro enterprises. Secondly, efforts shall be made to vigorously develop ageing finance; increase the openness to insurance companies, pension companies and other pension financial institutions, and accelerate the supply capacity of high-quality pension financial services; and increase policy support and guidance for pension wealth management, pension savings, and pension funds. Thirdly, efforts shall be made to vigorously develop socially responsible investment and guide financial institutions and listed companies to take social responsibility into consideration.