

Shanghai, HK bourses to list each other's ETFs

Reciprocal listing of Exchange Traded Funds (ETF) on the Shanghai and Hong Kong bourses are likely to materialize soon, according to a city official in Shanghai.

An appointed fund management firm having a Qualified Domestic Institutional Investor (QDII) license would manage the ETF, Fang Xinghai, director of the Shanghai Financial Services Office, said on Friday.

The ETF amount will depend on the firm's quota, he said, hinting that it would be capped initially at 3 billion yuan, the maximum for any QDII-licensed fund firm. The value would be increased over time, he said.

"The launch of the ETF as an innovative product is one of the three key measures we are taking to transform Shanghai into a global financial hub," he said.

In addition, Fang said the local government has rolled out an 89-point plan stressing on reform, opening and innovation as the latest move to strengthen Shanghai's financial industry.

"In terms of reform, we will set Shanghai as the trial place for hybrid business with various sectors in the financial industry," he said.

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Fang said Shanghai would also allow joint venture brokers and fund firms to extend their business scope within the city. "For example, joint venture brokers will also be permitted to conduct brokerage business apart from just investment banking," he said.

Meanwhile, on the heels of the return of initial public offerings, Fang, the former chief executive officer of the Shanghai Stock Exchange, also indicated his support for red-chip listings on the mainland.

"Domestic companies need yuan and foreign currencies to develop their businesses," Fang said.

Shanghai would in the future focus on yuan-related business as the central government has already accelerated the process of developing yuan as an international currency, he said. Hong Kong's strength will continue to be in its foreign currency market, Fang said.

The comments come close on the heels of the central government's announcement that Shanghai and four cities in Guangdong province would soon start yuan-settlement trials.

Yu Zhengsheng, Shanghai's Party secretary, said the two cities share a special bond.

"Shanghai can learn a lot from Hong Kong, especially in financial and legal services," he said.

"Shanghai will by no means replace Hong Kong as the financial and shipping center, but it still has a long way to go before it catches up with Hong Kong."

The central government announced a plan in March to develop Shanghai as an international financial and shipping center by 2020.

In order to achieve this growth, Fang said Shanghai needs more judges with financial knowledge.

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