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HKD-RMB Dual Counter Model in Hong Kong's stock market



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The Hong Kong Dollar (HKD)-Renminbi (RMB) Dual Counter Model was launched in the Hong Kong stock market on 19 June 2023

The first batch covers 24 companies¹ which already have their shares listed on the Main Board of the Hong Kong Stock Exchange and traded in HKD. Under the new model, investors may now also trade those shares by using their offshore RMB (that is, the RMB circulating outside Mainland China) on the RMB counter. The rights, entitlements, status and par value (if applicable) of the shares in both counters are the same. The difference lies in the currency with which the shares can be traded in each counter. All shares in either counter are fully interchangeable to another counter. A Dual Counter Market Making programme has been introduced in order to provide liquidity for the RMB counter and minimize price discrepancies between the two counters.



The 24 companies cover industries in technology, finance, properties and consumer products, and account for about 40% of the average daily turnover of Hong Kong's stock market.



Although China is the world's largest trading nature, the proportion of trade payment settlement in RMB is rather low at the moment. Hong Kong as a global hub for offshore RMB business can play an active role in furthering the internationalization of RMB by introducing more RMB-denominated investment products and thus widening the uses of offshore RMB in the international markets. The introduction of the Dual Counter Model is one of such measures.

Other recent initiatives included the launch of RMB interest rate swaps in May 2023 and the issue of RMB tranches of green bonds in June 2023.

¹ https://www.hkex.com.hk/Services/Trading/Securities/Overview/Trading-Mechanism/HKD-RMB-Dual-Counter-Model?sc_lang=en



The Financial Secretary of Hong Kong also indicates

The securities traded on the RMB counter may be included under the Southbound Trading of the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connects, so that Mainland investors can reduce exchange rate risks when they trade Hong Kong listed securities². This will help increasing the trading volume of the securities eligible to be traded in dual counters.

² <https://www.fso.gov.hk/eng/blog/blog20230611.htm>

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