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HK Banks & Insurance: Addressing frequently asked questions on the latest regulatory announcements

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Our covered HK Banks and Insurance stocks underperformed today (down up to 7% vs. a generally flat HSI/HSCEI), as regulatory announcements and news headlines raise investor questions over long-term growth of the HK business, especially in the mainland China resident segment. In this note, we try to address frequently asked questions from investors as well as provide some context on regional/segment exposure while we await further details on the regulations.

1. **What are the new regulations**? There have been two sets of announcements, 1) regulatory controls on online brokers and related fines issued by the CSRC on May 22; and 2) State Council Decree 837 on outbound investment issued on June 1. Our conversations suggest that HK bank and insurance investors are generally more focused on any uncertainties arising from the new outbound investment rules and news reports that some banks had suspended opening HK investment accounts for mainland residents at mainland branches.
2. **What does the new outbound investment rule say**? The document sets out a broad framework for outbound investment by Chinese investors, where the government is establishing a comprehensive legal framework to regulate the full life cycle of outbound investment, from pre-investment approval and filing through ongoing compliance and enforcement. For individuals, **the detailed implementation rules are to be formulated by the investment and commerce authorities** under the State Council, according to the announcement.
3. **Timeline**: The new regulation is set to **become effective on 1 July 2026**. With this, we would expect the detailed implementation rules to be released in the coming weeks.

What's happening on the ground?

Banks under our coverage – Per press reports and our channel checks, covered HK Banks, including STAN, HSBC, BOC HK and BEA – have highlighted incremental account opening requirements, particularly for investment accounts. Clients are now required to provide declarations that funds are legally sourced and originate from outside mainland China. This reflects a broader push toward ensuring regulatory compliance and mitigating cross-border capital risks.

Operationally, an ongoing focus of the banks is the rationalization of dormant accounts, with a focus on closing zero-balance accounts. Some institutions have already implemented such measures, while others have indicated plans to follow in due course, suggesting a phased but coordinated industry response.

We note that banks continue to report that account opening activity for both deposits and investment products remain ongoing in HK, indicating that while procedural requirements have been enhanced, there has been no broad-based halt in client onboarding or cross-border banking activity in HK.

Investor focus has increased on this element given the strong growth in wealth management income in recent years, particularly driven by Hong Kong and Chinese client flows. As highlighted in our earlier note, Riding Asia's liquidity wave II; Momentum continues to build in May 2026, wealth income for Standard Chartered and HSBC account for c.34% of total fees or non-NII and c.29% of operating income, with fee income growth trending in the high-teens to low-30% range over the past few years.

For HSBC, wealth fees from its disclosed HK segment (which likely excludes insurance) contributes to approximately 19-23% of total wealth fees and 2-3% of group operating income (as per their HK divisional disclosure), while for STAN, Hong Kong wealth contributes c.40% of total wealth income. Both HSBC and STAN also note that a significant proportion of new-to-bank clients are non-resident in Hong Kong (Exhibit 10), with net new money increasingly sourced from global Chinese clients (Exhibit 12). For BOC Hong Kong and BEA, securities, asset management and insurance fee income accounted for approximately 40-65% of total fee income and 6-9% of operating income as at FY2025.

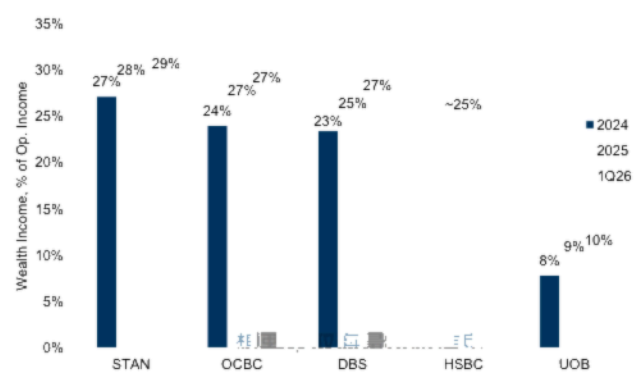
Across the sector, HK banks continue to emphasis adherence to KYC on verification that funds are used for investment purposes.

Exhibit 1: Wealth's share of fee income has risen ~5ppt in just two years...

Respective disclosure for banks based on net/gross fees. STAN % of wealth fees is based against non-NII.

Source: Company data

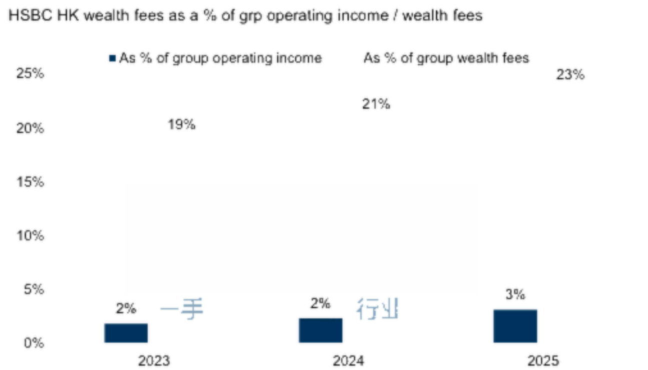
Exhibit 2: Wealth income now accounts for 29% of operating income



OCBC wealth income here refers to only banking.

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: HSBC HK wealth fees account for ~20% of group wealth fees...

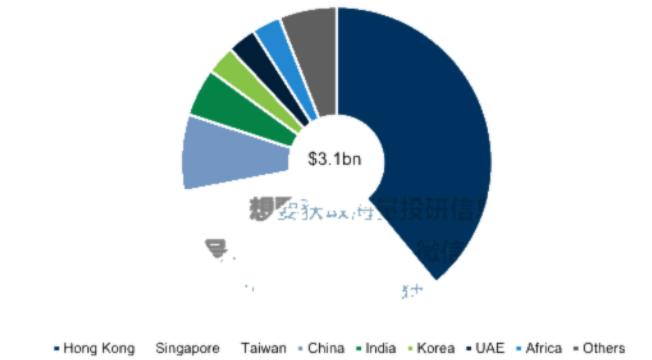


HSBC HK wealth fees here do not include fees from insurance which is included in IWPB.

Source: Company data

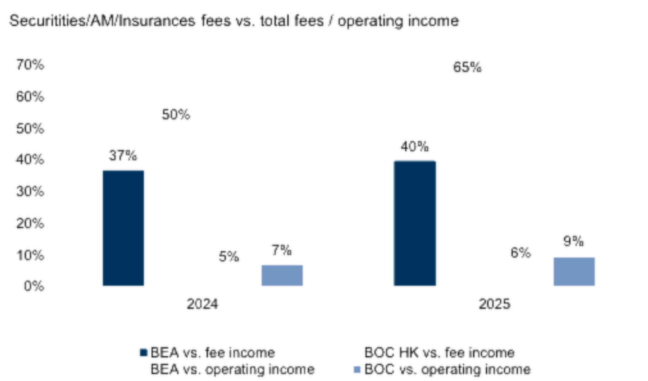
Exhibit 4: ...while for STAN about c.40% of wealth solutions income was generated from Hong Kong in FY25

STAN FY25 Wealth solutions income by market



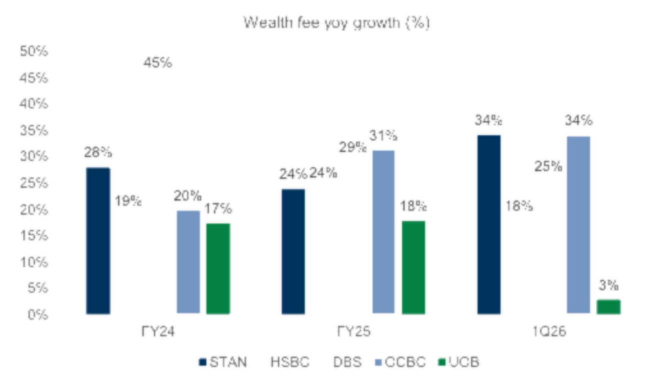
Source: Company data

Exhibit 5: Securities/AM/Insurance fees for BOC HK and BEA as a % of total fees / operating income also steady increasing



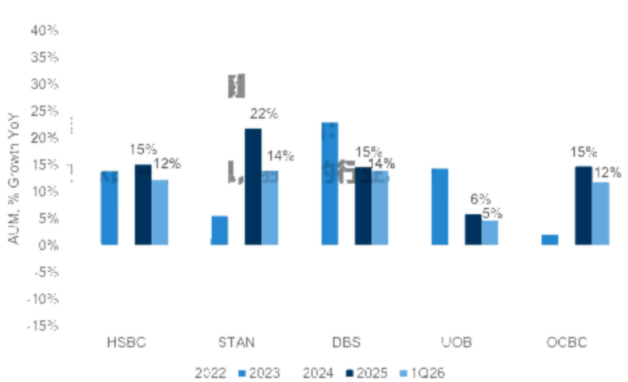
Source: Company data

Exhibit 6: Banks are delivering: Wealth fee growth of 18-45% YoY across coverage in 1Q26



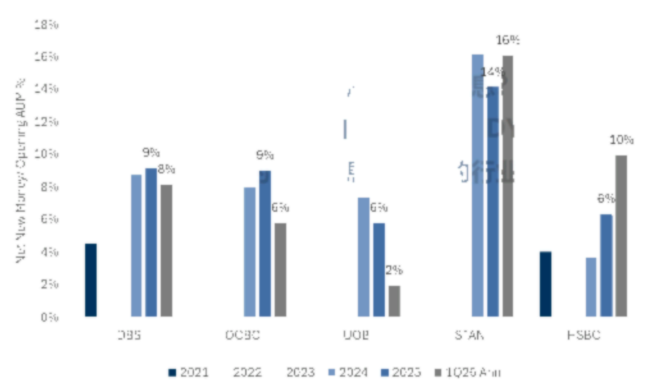
Source: Company data

Exhibit 7: STAN's 22% AUM growth in FY25 outpaced HK/SG peers



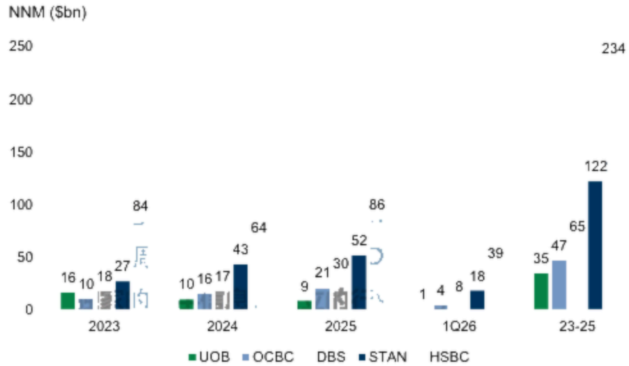
Source: Company data

Exhibit 8: NNM intensity remains strong — STAN at 16% annualised in 1Q26



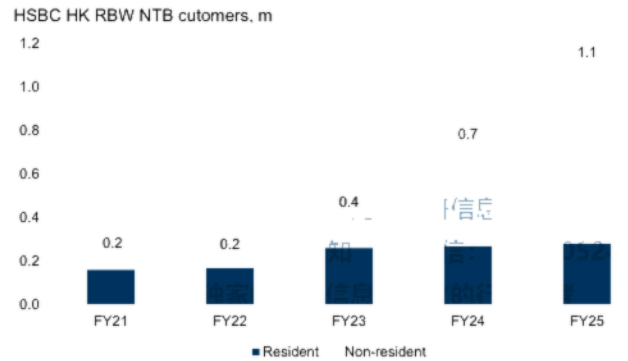
Source: Company data

Exhibit 9: HSBC has captured US$234bn in cumulative NNM over FY23-25 — the largest pool



Source: Company data

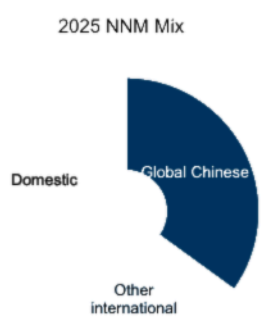
Exhibit 10: HSBC's new-to-bank customer acquisition in HK accelerated to 1.1mn in FY25 for RBW with a large proportion coming from non-resident...



RBW: Retail banking and wealth.

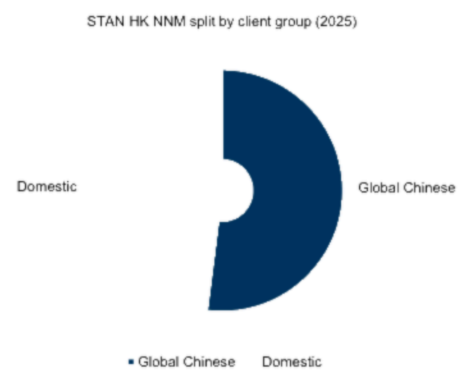
Source: Company data

Exhibit 11: ...similar to STAN where global Chinese accounted for c.33% of NNM in 2025 and...
STAN 2025 NNM mix



Source: Company data

Exhibit 12: ...>50% of STAN HK NNM comes from global Chinese



Source: Company data

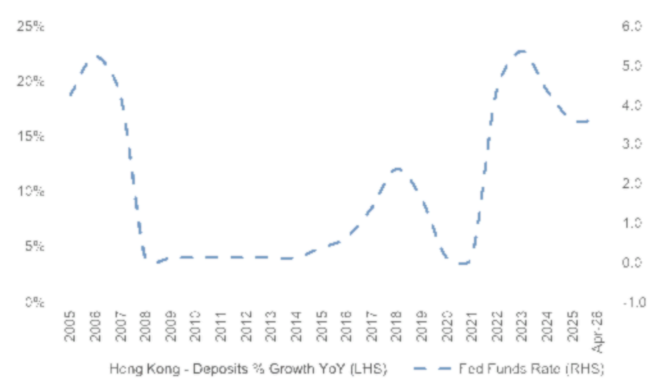
Exhibit 13: Quarter by quarter, the wealth engine continues to show robust momentum

		1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	1Q26 YoY (%)	1Q26 QoQ (%)	1Q26 Annu.NNM to prior AUM
STAN	NNM (US$bn)	10	13	10	10	13	16	13	10	18	38%	80%	16%
	AUM (US$bn)	279	294	320	367	389	420	438	447	443	14%	-1%	
	Wealth Income (US$mn)	1,285	1,331	1,402	1,278	1,464	1,421	1,620	1,432	1,720	17%	20%	
	yoy growth (%)	12%	14%	15%	19%	14%	7%	16%	12%	17%			
	Wealth Fees (US$mn)	617	619	695	563	778	742	890	677	1,043	34%	54%	
	yoy growth (%)	21%	25%	32%	36%	26%	20%	28%	20%	34%			
HSBC	NNM (US$bn)	27	6	26	5	22	22	29	26	39	77%	50%	10%
	AUM (US$bn)	-	1,332	-	1,359	1,400	1,475	1,537	1,563	1,570	12%	0%	
	Wealth Fee (US$mn)	1,893	1,848	2,060	1,758	2,290	2,273	2,680	2,147	2,697	18%	26%	
	yoy growth (%)	13%	10%	29%	23%	21%	23%	30%	22%	18%			
DBS	NNM (S$bn)	6	3	6	8	9	11	7	12	10	11%	-17%	8%
	AUM (S$bn)	382	396	401	426	432	442	474	488	492	14%	1%	
	Wealth Income (S$mn)	1,326	1,294	1,358	1,238	1,488	1,353	1,536	1,303	1,587	7%	22%	
	yoy growth (%)	23%	19%	19%	10%	12%	5%	13%	5%	7%			
	Wealth Fees (S$mn)	536	518	609	520	724	649	796	645	907	25%	41%	
	yoy growth (%)	47%	37%	55%	41%	35%	25%	31%	24%	25%			
OCBC	NNM (S$bn)	5	2	5	9	5	4	12	6	5	0%	-17%	6%
	AUM (S$bn)	273	279	284	299	306	310	336	343	342	12%	0%	
	Wealth Income (S$mn)	1,291	1,250	1,295	1,065	1,342	1,295	1,621	1,298	1,483	11%	14%	
	yoy growth (%)	19%	-1%	1%	10%	4%	4%	25%	22%	11%			
	Wealth Fees (S$mn)	266	253	286	289	315	326	431	363	422	34%	16%	
	yoy growth (%)	16%	15%	22%	26%	18%	29%	51%	26%	34%			
UOB	NNM (S$bn)	3	3	4	3	2	3	5	1	1	-50%	0%	2%
	AUM (S$bn)	179	182	185	190	189	191	199	201	198	5%	-1%	
	Wealth Income (S$mn)	300	240	309	272	323	296	357	305	342	6%	12%	
	yoy growth (%)					8%	23%	16%	12%	6%			
	Wealth Fees (S$mn)	164	173	183	178	213	188	218	203	219	3%	8%	
	yoy growth (%)	5%	22%	25%	18%	30%	9%	19%	14%	3%			

HSBC all AUM figures shown and 1Q26 NNM are based on latest restatement. OCBC wealth income refers to banking only and wealth fees includes brokerage and fund management based on latest restatement. UOB wealth income excludes NII contribution.

Source: Company data

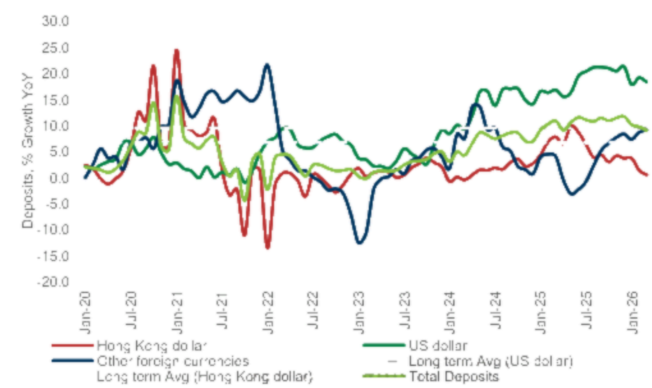
Exhibit 14: Unlike prior rate-cut cycles, HK deposit growth remains well above the 20-year average



Deposit growth YoY is based on deposits base in US$ for Hong Kong. Chart showing till 1Q26.

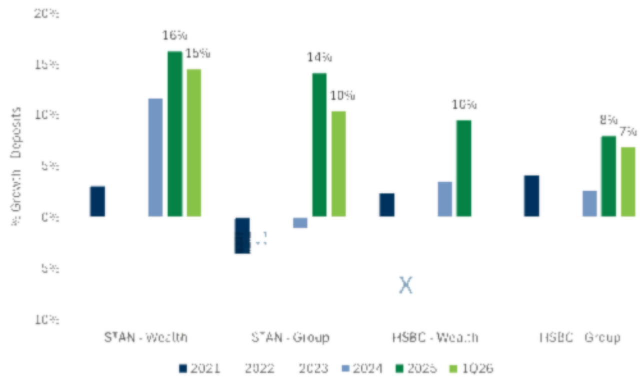
Source: Federal Reserve Board, Hong Kong Monetary Authority, CEIC

Exhibit 15: USD deposits are the primary driver in Hong Kong



Source: Hong Kong Monetary Authority, CEIC

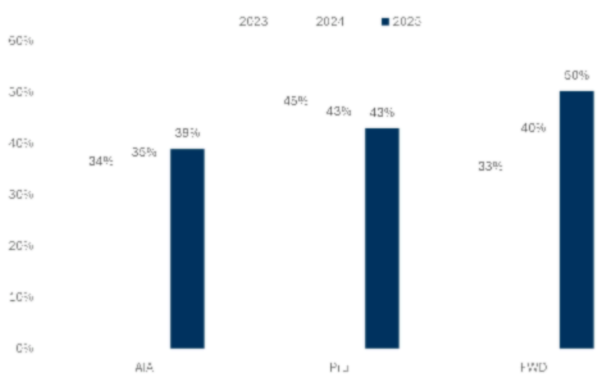
Exhibit 16: Wealth deposits are growing faster than group deposits at STAN and HSBC



Source: Company data

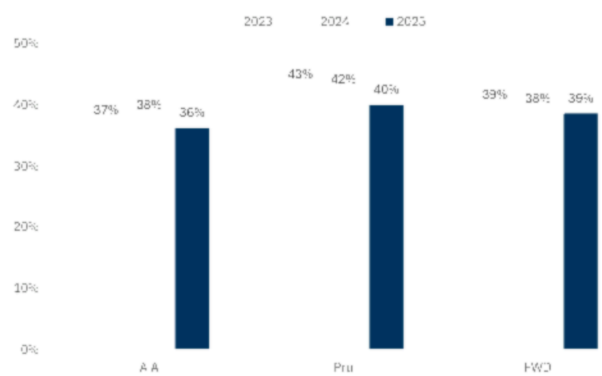
For insurers under our coverage – including AIA, PRU, and FWD – we highlight that HK agents are prohibited from conducting business in mainland China, and the sales process has to take place in HK. The industry experienced enhanced regulatory controls in 2016, on the use of UnionPay cards to purchase insurance. From 2016, the HK Insurance Authority imposed additional safeguards, including declaration and evidence of physical presence of MCVs. There has been no change to these regulations so far. In addition, according to AIA, around 90% of new business and renewal premiums in the MCV segment were paid out of funds already in HK bank accounts in 2025.

Exhibit 17: VONB contribution from HK was around 40-50% for our covered regional insurers...
HK VONB contribution (%)



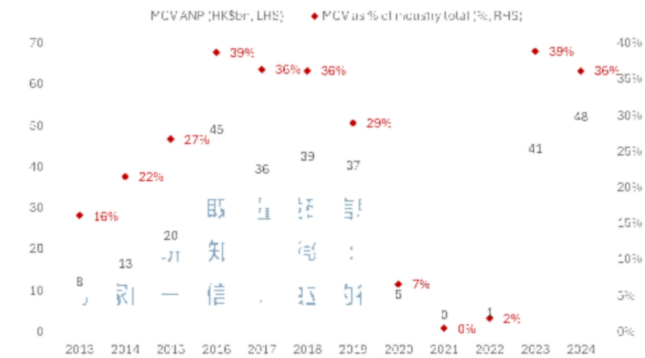
Source: Company data

Exhibit 18: ...with HK EV accounts for 36-40% of group total EV
HK EV contribution (%)



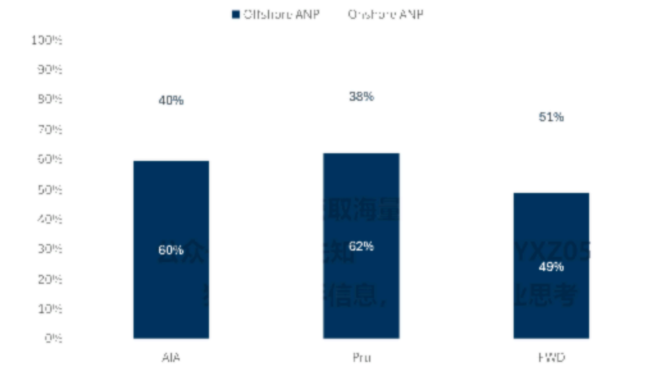
Source: Company data

Exhibit 19: MCV contribution was 36% in 2024
HK MCV ANP (HK$bn)



Source: HKIA

Exhibit 20: Pru reported 62% ANP from offshore customers in 2024, followed by 60%/49% for AIA/FWD
HK ANP by onshore/offshore (%, 2024)



*Offshore includes sales to MCV and other non-HK residents.

Source: HKIA