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Bank less

Use Case for mBridge Project – **Cross-Boundary Insurance Payment Between Mainland China and HK SAR**

DBS Bank HK Ltd.



INTRODUCTION

With GBA Circular 2020-95 (Circular No.95 , “关于金融支持粤港澳大湾区建设的意见”), insurance companies in Guangdong, HK and Macau are encouraged to jointly develop innovative cross-boundary motor and medical insurance products.

- To help cross-boundary policy holders in areas such as underwriting, investigation and claims.
- To set up service centres in the Mainland cities of the GBA to provide after-sales services to policy holders who live or work in the GBA.

Circular No.95 also supports non-bank financial institutions (including insurers) to use RMB as their payout currency, which would **help insurers underwrite RMB-denominated products.**

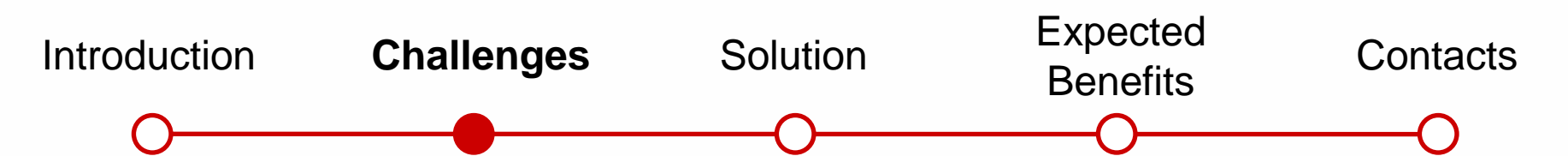


Introduction Challenges Solution Expected Benefits Contacts



Guangdong
HK
Macau

CHALLENGES



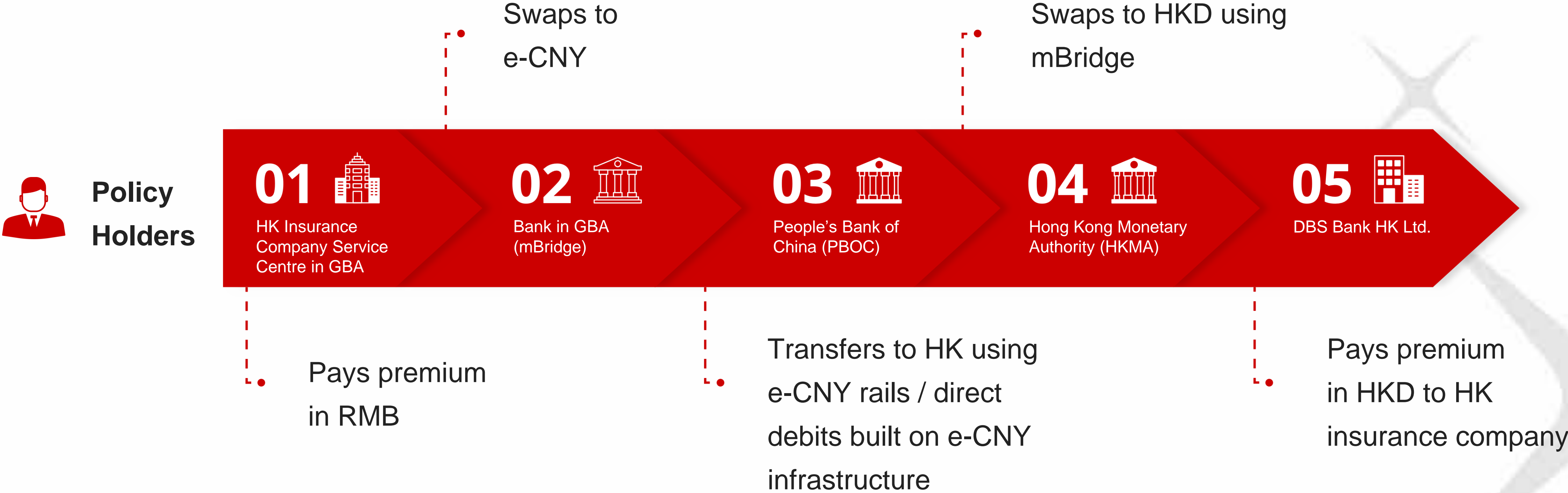
Chinese Mainlanders travel to HK to buy insurance products issued by HK insurance companies. Hence, premium payment and claim settlement across border are done through **inefficient and expensive** methods such as **cash or telegraphic transfers**.

DBS intends to develop a cross-boundary payment product that can **reduce the inefficiency and cost of cross-boundary payments between CN and HK**, leveraging the digital currencies under the scope of mBridge project.



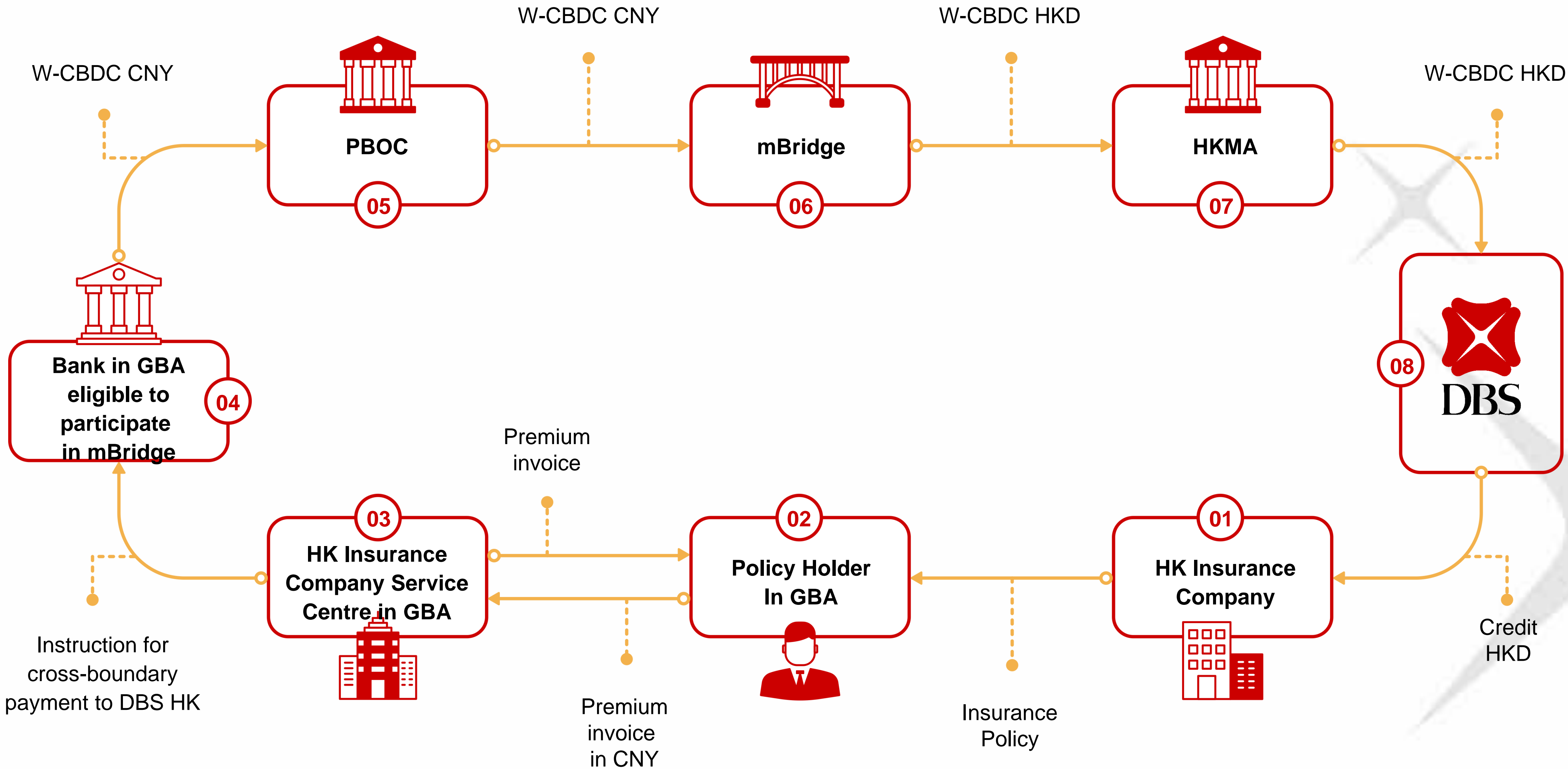
SOLUTION

Here's the proposed flow for **premium payment**:

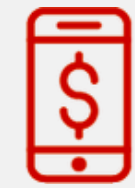
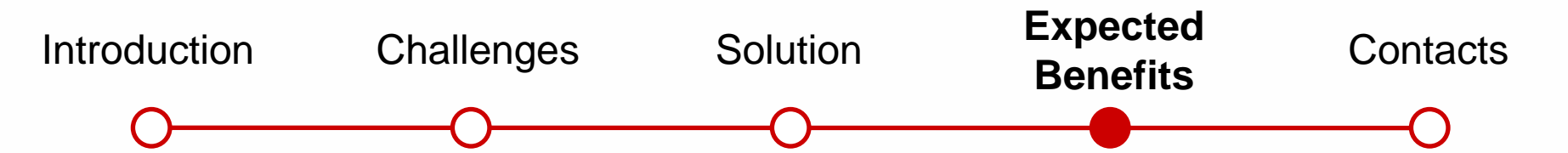


For **claim settlement**, the flow will be reversed.

SOLUTION



EXPECTED BENEFITS



The end-to-end cross-boundary payment process can be **greatly improved** where the individuals may use their mobile phone to **make payments directly through their mobile phones.**



The payment in CNY will be sent through the corridor network to convert to HKD and then **credited to the insurance company's account** in DBS HK instantly.



The bank will **provide reconciliation data to the insurance company** via API so that the company can automate the reconciliation process.

Benefits of using mBridge for cross-boundary settlements instead of T/T:



Higher Efficiency

Near real-time cross-boundary settlement and exchange between CNY and HKD.



Lower Cost

Banks may pass the savings gained from higher STP rate, less manual intervention and elimination of correspondent bank charges to clients.



Providing infrastructure to build cross-boundary payment products

E.g. cross-boundary, cross-bank direct debits, scan & pay, app-to-app payment (similar to FPS in HK) which will increase the ease of payment made by individuals in mainland China and the automatic payment reconciliation by insurance companies in HK.

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