

## Analysis of the Current Market Situation of Short-Term Financial Products— Take Hong Kong Special Administrative Region as an Example

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**Abstract:** Under today's rapid economic development, people's financial planning is becoming more and more diversified. Similarly, short-term financial products are becoming more and more popular all over the world. However, compared with the financial products in Chinese mainland, Hong Kong Special Administrative Region has significantly fewer short-term financial products. Based on this, the study uses literature research method, comparison analysis method, practical method as well as inductive summary method, takes financial products as the starting point, finds out the factors that cause Hong Kong Special Administrative Region to have no short-term financial products, probes the problems of short-term financial products, and proposes practicable suggestions for the future development of short-term financial products.

### 1. Introduction

If you have a small amount of spare money, what would you do with it? Save it, invest it, or just do nothing. How to carry out effective asset management is always a hot topic discussed by human society. Since new shipping routes opened up and Europe got its first bucket of gold, the concept of shares was born, with the establishment of the Stock Market in the Netherlands, one of the earliest forms of modern investment. Then, with the continuous accumulation of capital and the development of the form of social organizations, the demand of financial management increased sharply, which stimulated the emergence of diversified financial products. Therefore, to better meet the needs of specific groups who would like to take a certain risk and get a corresponding return, wealth management products are born in America. In this case, a special kind of product, short-term financial products only in the Chinese mainland has it prospered.

This article uses the Chinese mainland and the Hong Kong Special Administrative Region as examples. It discusses the reasons why Hong Kong Special Administrative Region lacks short-term financial products, analyzes the current development issues, and proposes relevant solutions. The article sorted out the current situation of related products and provided suggestions for future improvement, which has a more important impact on its long-term development and promotion.

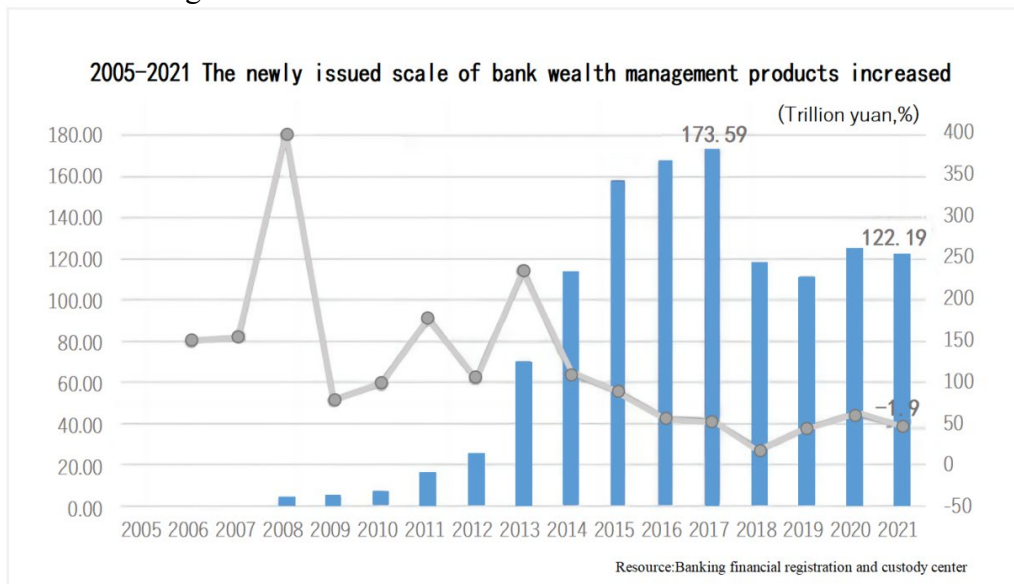
### 2. Body

#### 2.1. Introduction

As a method of asset management, financial management can help achieve the purpose of financial preservation and appreciation, which reflects that it is an inseparable material foundation for human life and various business activities. Moreover, it is even recognized as a kind of survival skill whose significance is increasingly prominent for economic development. Therefore, for our study, we conducted intensive research on financial products, focused on short-term financial products, started from their development status, explored their current problems, and then gave practical suggestions accordingly.

With more and more diversified financial products, people begin to classify them according to different standards, and according to the duration of financial products, they can often be divided into

two parts, namely, short-term financial products and long-term financial products. For these two kinds of financial products, their main differences are terms, income and flexibility. Long-term financial products often have longer terms, so they have high returns as well as low flexibility, such as long-term stocks, time deposits and so on. With regard to short-term financial products, the terms of them are much shorter which means that they have lower returns and higher flexibility, such as Yu Ebao and so on. The data for 2005-2021 the newly issued scale of bank wealth management products increased is shown in Figure 1.



Source: Banking financial registration and custody center

Figure 1: 2005-2021 The newly issued scale of bank wealth management products increased

According to the chart, the scale of China's financial products has continued to grow for a total of 14 years from 2008 to 2021, and the scale of new products reached a peak of 173.59 trillion in 2017, although the growth rate has slowed down since 2018. There is no doubt about the overall growth trend of financial products. However, differences can be observed in terms of short-term financial products between the Chinese mainland and the Hong Kong Special Administrative Region [1]. Chinese mainland's short-term financial products account for more of the total financial products, of which the scale of the product from June to December accounted for the highest proportion, reaching 23% [2].

Nevertheless, Hong Kong Special Administrative Region, which has a more developed financial industry, has almost no short-term financial products [9].

## 2.2. Method

The article mainly used the methods of literature research, comparison analysis, practice, and inductive summary to find the reason why Hong Kong Special Administrative Region has no short-term financial products, as well as the current development problems of these kinds of products in objective and credible ways.

### 2.2.1. Literature research method

In order to get a deeper understanding of this topic, the members looked up materials related to financial products for both long-term and short-term ones through online and offline channels. Thus, the research acquired a lot of journals and news and collected relevant information successfully. With the reviewing of the huge number of relevant papers, the article kept up with the research progress in the field of financing and conducted in-depth thinking around the research theme, which laid a solid foundation for the implementation of this research.

### 2.2.2. Comparison analysis method

In order to obtain a more definitive conclusion about the developing status of short-term financial

products, the article focuses on the Chinese mainland, which has a relatively prosperous short-term financial management market, and the Hong Kong Special Administrative Region, an area with a dead market, as cases for comparison. The article reached a more rigorous conclusion by analyzing differences between these two places.

### **2.2.3. Practice method**

In order to have a more intuitive feeling of the changes in the financial products market, the members purchased some kinds of products through online distribution software as well as offline banks. In the meantime, the members recorded the term prices and audiences of different financial products and discovered the shortcomings of this market with first-hand experience.

### **2.2.4. Inductive summary method**

In order to obtain a more systematic and logical result, the members summarized the previous research, looked for possible factors, and classified them into various classes, thus forming a higher practical value of answers to the topic.

## **2.3. Results**

### **2.3.1. The reasons why Hong Kong Special Administrative Region do not have short-term financial products**

#### (1) Conceptual factor

When it comes to conception, history is an important part to be discussed.

Hong Kong Special Administrative Region has been a Chinese territory since ancient times. However, after the defeat of the Opium War in 1842, the Treaty of Nanking permanently ceded Hong Kong Island to Britain. In 1860, the Second Opium War was defeated, and the Kowloon Peninsula was permanently ceded to Britain in the Sino-British Treaty of Beijing. Later, on December 8, 1941, Japan attacked Hong Kong Island, and on December 25, Hong Kong Island fell, which made the Japanese occupation period three years and eight months. In 1945, after the Second World War had been won, Britain announced the resumption of the exercise of sovereignty over Hong Kong Island. In 1949, when New China was founded, the Chinese and British governments reached an informal agreement on the Hong Kong Island issue, whose result was Hong Kong Island continued to be occupied by the United Kingdom.

Since then, until the official return of Hong Kong Island on July 1, 1997, Hong Kong Island has been controlled by capitalist countries for about 155 years and has long been under the jurisdiction of the United Kingdom. It has implemented free and laissez-faire market management, advocating that the government should not control the free market's resource allocation and disrupt the market's normal operation.

After the return of Hong Kong Special Administrative Region, in order to better maintain the peaceful reunification of the country and promote the prosperity and development of Hong Kong Special Administrative Region, China has implemented the political system of "one country, two systems", still adopted the capitalist market system, adhering to the concept of "big market, small government", implemented conservative fiscal policy, and implemented laissez-libert. Thus, people in Hong Kong Special Administrative Region had more time to get in touch with capitalist market operation mechanisms and had more experience in managing capital, which caused Hong Kong Special Administrative Region people to be more inclined to value-added investments and had a higher risk tolerance than people in the Chinese mainland, who had experienced a shorter period of capitalism market, owned less knowledge about it, and also preferred hedge product with short-time feather, which meant lower risk tolerance and fewer variable.

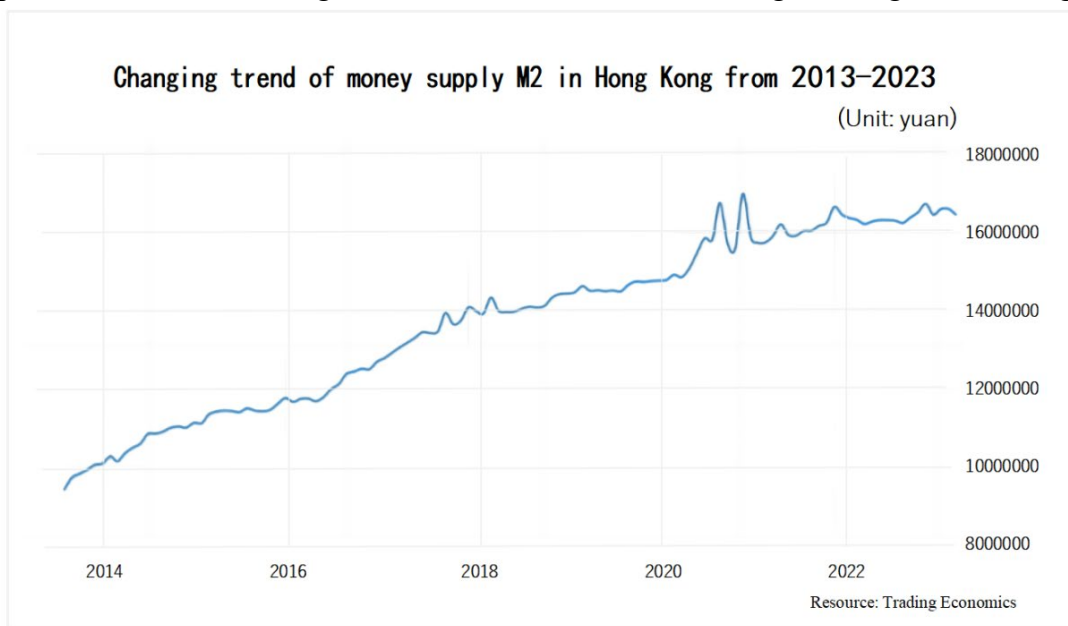
Besides, because of British jurisdiction, people in Hong Kong Special Administrative Region habitually used bank cards. Worldpay released the "Global Payment Report", showing that in 2022, the total payment amount of Hong Kong Special Administrative Region citizens' credit cards accounted for 41% of the total payment amount in the e-commerce market and 55% of the total in-store consumption market. Therefore, internet payment is not the most popular and customary way

for citizens to use. What's more, Hong Kong Special Administrative Region paid more attention to their privacy. Thus, they chose to trade with others through offline as well as macro channels, which resulted in citizens in Hong Kong Special Administrative Region not using either Internet payment or network banks. Based on the above factors, Hong Kong Special Administrative Region did not have internal banking like Yu Ebao and WeChat's Minifund.

(2) Interest rate factor

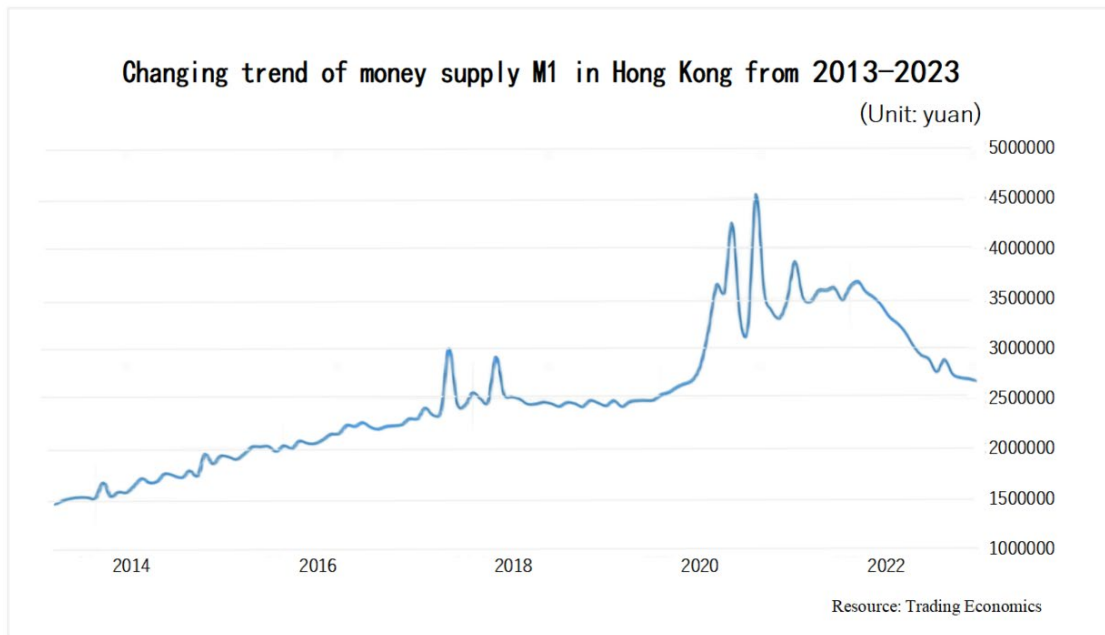
Interest rate is affected by monetary policy, economic environment, market competition and other reasons as well.

Hong Kong Special Administrative Region had been controlling the money supply, keeping it at a low supply level. According to Trading Economics, excluding periods of exceptional growth under the influence of Covid 19, in the past ten years, the M1 currency supply in Hong Kong Special Administrative Region had slowly increased from 140,000 to 270,000, only showing less than a doubling of growth. At the same time, dealing with the feather of less liquidity of capital, the M2 currency supply in Hong Kong Special Administrative Region during the period of 2013 to 2023 presented a slower and stabler trend, just a 75% increase. For the most liquid M0 currency, it had only doubled. Compared with China, it has three times increase in M2, 1.2 times in M1 and one time in M0, as well as America, one time in M0 and M2, but six times in M1, Hong Kong Special Administrative Region really had a stable and low-speed increase in money supply, which was one of the reasons of the low level of interest level. The Changing trend of money supply M1 in Hong Kong Special Administrative Region from 2013-2023 is shown in figure 2, figure 3, and figure 4:



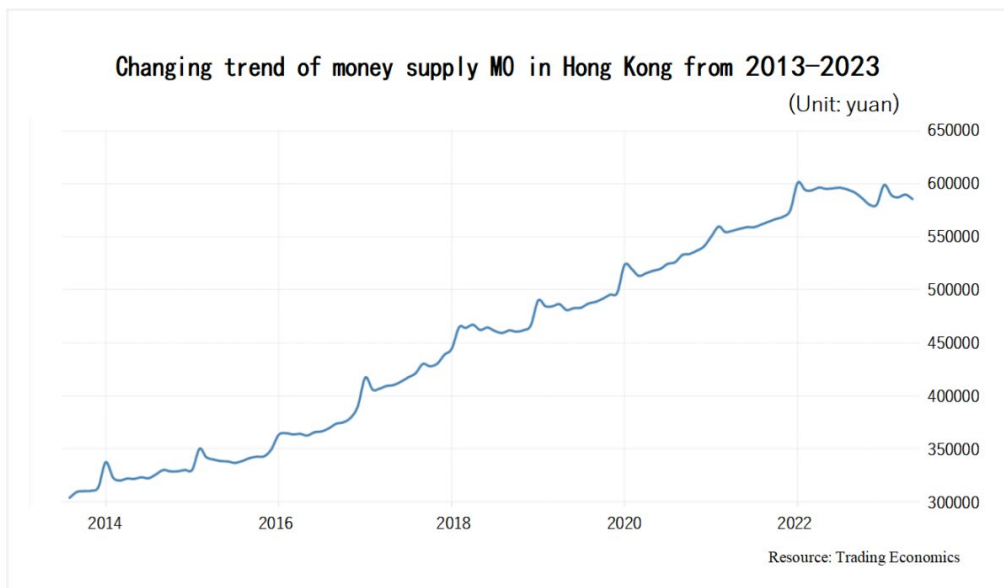
Resource: Trading Economics

Figure 2: Changing trend of money supply M1 in Hong Kong Special Administrative Region from 2013-2023



Resource: Trading Economics

Figure 3: Changing trend of money supply M1 in Hong Kong Special Administrative Region from 2013-2023



Resource: Trading Economics

Figure 4: Changing trend of money supply M1 in Hong Kong Special Administrative Region from 2013-2023

Besides, in 1983, Hong Kong Special Administrative Region began to implement the Current Linked Exchange Rate system to prevent excessive depreciation of the exchange rate, which means from then on, the exchange rate between Hong Kong Special Administrative Region and the US is fixed at 7.8:1. The Impossible Trinity has been proven.:" The independence of domestic monetary policy, the stability of the exchange rate, and the complete free mobility of capital cannot be achieved at the same time." Hong Kong Special Administrative Region always has diversified as well as open foreign trade, had freer capital flows, and it had a fixed exchange rate as well. Therefore, Hong Kong Special Administrative Region lost its monetary policy independence. The Monetary Authority can only passively adjust the benchmark interest rate and intervene in the foreign exchange market, which makes it difficult to make countercyclical adjustments according to local economic conditions so that

the economic fluctuations in the United States have a greater impact on it. At the same time, because of the stage of development and the situation of the world economy, the economic growth of the United States had shown a relatively slow trend, even presenting a downward state in recent years, and thus resulted in the low and stable interest rate of Hong Kong Special Administrative Region [3].

### (3) Regulatory factor

Hong Kong Special Administrative Region values the quality of its financial markets. Maintaining market quality depended on a sound regulatory regime, which was the foundation of its financial system and the source of its core competitiveness in financial markets. Under this regulatory system, financial institutions with loophole behavior would be monitored by banks, and it will be difficult to generate improper income. For example, Yu Ebao, a popular product in Chinese mainland, had simple operation procedures, higher returns and lower risks. However, due to the limited cash flow pool of Yu Ebao and the risk of bank runs, the regulatory system tends to be continuously improved, and restrictive measures have been introduced successively. For example, the daily withdrawal scale is reduced to 10,000 yuan. However, for the monetary fund in Hong Kong Special Administrative Region, due to the perfect policy system, market speculators have no opportunity to exploit loopholes, which has affected the launch of high-yield products to a certain extent, and naturally, there will be no products similar to Yu 'e Bao.

At the same time, due to the over-perfect regulatory system, Hong Kong Special Administrative Region limits the flexible operation of funds, and it is difficult to innovate diversified wealth management products. Products will go through an imperfect stage in the initial stage, and such strict supervision cannot tolerate the existence of such products with more loopholes, so it is difficult for immature short-term financial products to enter the financial products market in Hong Kong Special Administrative Region at this stage.

### (4) Social structure factor

Short-term financial products are aimed at people with spare cash. But in the society of Hong Kong Special Administrative Region, there was a huge gap between the rich and the poor. According to the World Bank, Hong Kong Special Administrative Region has had a Gini Ratio of over 0.5 for nearly 30 years, which is over the highest alert level, and has a continued growth trend. Besides, the Xinhua News Agency reported that in 2020, the percentage of the poor in Hong Kong Special Administrative Region accounted for 23 percent, and based on the GNP of Hong Kong Special Administrative Region, the top 57 billionaires account for 88 percent of Hong Kong Special Administrative Region's total wealth [4]. A lot of citizens in Hong Kong Special Administrative Region are struggling with survival and have no money to conduct financial management, even if they never get in touch with it.

What's more, citizens who want to buy financial products can also use the "Northbound Access" channel, which is a part of the policy "Cross-border Banking Link". Cross-border Banking Link Policy allows mainland, Hong Kong Special Administrative Region, and Macao investors in the Greater Bay Area to engage in cross-border investments in qualified investment products or wealth management products offered by banks from each other through closed-loop capital channels established by the banking system in the region [7]. Through this kind of investment, Hong Kong Special Administrative Region citizens can start accounts in the mainland and make product purchases with low barriers and easy operation. Therefore, some Hong Kong Special Administrative Region people choose to manage their money on the mainland. According to China Finance Online, there are 14690 investors from Hong Kong Special Administrative Region, Macao, and Taiwan participated in this policy pilot and had a total investment of 210 million yuan. These investors chose to buy short-term financial products rather than others. Thus, due to the convenient communication between the mainland and Hong Kong Special Administrative Region, demand for short-term financial products can be met for the northern part instead of the local area.

What's more, Hong Kong Special Administrative Region's financial investment procedures are high, and the procedure is complicated, so Hong Kong Special Administrative Region residents are more willing to look for financial institutions to invest in rather than buying financial products as individuals. Therefore, most financial management in Hong Kong Special Administrative Region is carried out in the name of enterprises. These large financial institutions in Hong Kong Special

Administrative Region are able to recognize that short-term financial products have certain problems and defects, and their risk disclosure is relatively sufficient so investors can fully realize the risks. Thus, they do not invest in short-term financial products as well.

### 2.3.2. Problems of short-term financial products

Short-term financial products such as WeChat's Minifund in Chinese mainland are enthusiastically sought after by Chinese people. The lack of short-term financial products in Hong Kong Special Administrative Region greatly contrasts the prosperous phenomenon in Chinese mainland, while the article further discusses the problems existing in short-term financial products through the lack of short-term financial products in Hong Kong Special Administrative Region.

#### (1) Issues of handling fees and thresholds

Even if short-term financial products are more flexible, they usually still have handling fees and thresholds. However, people in Chinese mainland ignore this problem constantly due to low handling fees and thresholds. According to the information displayed by software such as Yu Ebao, the handling fees are generally very low or even no handling fee, while thresholds for most short-term financial products in Chinese mainland is about 1 yuan or even 0.1 yuan, which means short-term financial products in WeChat's Minifund and Yu Ebao have almost no threshold. For example, Bank of China Financial Management recently announced that its product "Bank of China Financial Management - Enjoy Every Day" will no longer charge management fees during the preferential period [8]. The Content of "Bank of China Financial Management - Enjoy Every Day" is shown in figure 5:

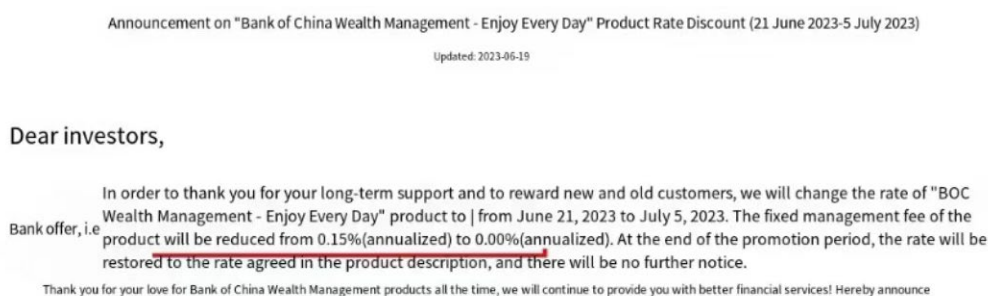


Figure 5: Content of "Bank of China Financial Management - Enjoy Every Day"

In terms of other regions, they may not be as fortunate as Chinese mainland. For example, according to the graph, the excellent wealth management proportion of HSBC's full-line open-end funds has subscription fees of 2.5% and 2% for subscription amounts of less than one million Hong Kong dollars and more than one million Hong Kong dollars, respectively, and the handling fees for the operation financing or personal comprehensive financial management part is even higher. The HSBC subscription fee is shown in Table 1:

Table 1 HSBC subscription fee

HSBC subscription fee				
First subscription fee concessions for investment account classes of all-line open-end funds for subscription transactions			First subscription fee concession for investment account classes for bond fund /Money Market Fund subscription transactions	
Subscription amount/ Subscription category	HSBC Premier	Operations finance or personal comprehensive finance	HSBC Premier	Operations finance or personal comprehensive finance
Less than HK \$1,000,000	2.50%	3.00%	2.00%	2.00%
HK \$1,000,000 or above	2.00%	2.50%	1.50%	2.00%

Source: Wind

Consequentially, such a high handling fee makes Hong Kong Special Administrative Region's short-term financial products with low-interest rates have lower profits for citizens. Besides, the thresholds of short-term financial products in Hong Kong Special Administrative Region are much higher than those in Chinese mainland. Zhang, Zhao and Tang (2021) pointed out that banks' customers can get recommendations for financial products, but the thresholds are as high as \$10 million, so people can only invest in bond funds or stock funds, which are far greater than the thresholds for short-term financial products in the Chinese mainland [5].

Overall, despite regulations in Chinese mainland having nearly solved these issues, there are still high handling fees and high thresholds for short-term financial products in some regions, which are eager to be solved.

## (2) Rate of return, term and risk issues

High yield, flexible access, low risk and so on are often the attractive characteristics of short-term financial products. Nevertheless, in view of these advantages, short-term financial products also seem to "deceive" buyers. It takes advantage of the buyer's trust and lack of financial knowledge to guide buyers so that they hide their loopholes. Zhang et al. (2021) stated in their study: "A social survey of Xi'an University of Finance and Economics shows that more than one-third of users of short-term financial instruments cannot correctly understand the defects of this product" [5].

### ① Rate of return

Yield is the most important point for people to pay attention to when buying short-term financial products. Software such as WeChat's Minifund will put the yield in a prominent position, clearly informing the buyer of the seven-day annualized yield of these products. There are already two loopholes here: on the one hand, the annualized expected Rate of return is not equal to the actual expected Rate of return; on the other hand, the expected Rate of return is not equal to the real Rate of return.

First, buyers often regard the expected annualized Rate of return, often a large ratio, as the actual expected Rate of return. If a short-term financial product with the expected annualized Rate of return  $a\%$ , term  $b$  (months) and principals  $c$  (yuan), then the equation of the real expected Rate of return  $d\%$  will be shown in formula (1):

$$d\% = \frac{c \times a\% \times b}{12 \times c} \quad (1)$$

For a better understanding, examples could be given here: If the expected annualized Rate of return is 5%, the term is 3 (months), and the principal is 10000 (yuan), these data can be substituted into the formula, and then buyers can get that the real expected Rate of return is 1.25% which is much lower than the expected annualized Rate of return, 5%.

Second, buyers will also confuse the expected Rate of return with the real Rate of return. Even without considering the impact of inflation, the real Rate of return may not be equal to the expected Rate of return, that is, the 1.25% above. Minsheng Bank of China has defined the two rates: The expected Rate of return is the forecast of the return of a financial product at the end of the investment period, while the real Rate of return is the actual income that investors can get after the expiration of the investment period. In essence, there is no clear numerical connection between them and the gap between them seems to be only related to the risk level of products themselves. From time to time, if the expected Rate of return is much higher than the real Rate of return, the buyer's actual income will be much lower than his expectations.

In addition to the confusion of the above several concepts, some short-term financial products also have the problem of hidden rates. The Modern Express once reported that the formula for calculating the expected income of financial products is "expected investment income of financial products - sales fees, custody fees and other expenses" and as a matter of fact, the bank's biggest fee is hidden in this "other expenses"[12]. For example, China Construction Bank once released the product "Qianyuan - Private Type". Its instructions show: "The expected annual rate of return of the asset portfolio is 5.7%-6.8%, the sales rate is 0.2%, the custody rate is 0.05%, and the expected annual net rate of return is 4.7%". It is said that after deducting sales fees and custody fees, the net annual yield of the product should be between 5.45% and 6.55%, but the instructions indicate that the real annual



net Rate of return is 4.7%. Calculated in this way, the income of 0.75% to 1.85% is unknown.

### ② Term

There are also traps in terms of short-term financial products, which means the number of days that buyers think may not be the same as the number of days that the actual interest is calculated because of the fundraising period and the liquidation period. If the term of a financial product is  $x$  days, the yield is  $a\%$ , and the fundraising period and the liquidation period are  $y$  and  $z$  days, respectively, then the actual Rate of return of the product ( $b\%$ ) is shown in formula (2) :

$$b\% = \frac{x \times a\%}{x+y+z} \quad (2)$$

According to this formula, it can be seen that when  $y$  and  $z$  are greater than 0,  $b$  must be less than  $a$ , which means that due to the existence of the fundraising period and liquidation period, the income of short-term financial products will be less than buyer's expected income. Buyers are likely to fall into this kind of trap about the number of days, especially for short-term financial products. The term is relatively short, and a few days may also cause a large gap between the actual yield and the nominal interest rate, affecting the income level of short-term financial products.

### ③ Risk

Short-term financial products are also criticized in terms of their risks. Because there may be a "term mismatch" problem in financial products, that is, the investment period of the product investment target is inconsistent with the investment period of the product itself, buyers have to face hidden risks. Due to the existence of inflation risk and default risk, the risk of long-term financial products is often higher than that of short-term financial products. Consequentially, returns of long-term financial products are usually higher than short-term financial products. In order to meet the buyer's pursuit of high returns and the avoidance of high risks, and some products have problems such as incomplete information disclosure and unclear use of funds, issuers are given the opportunity to use "term mismatch" to realize the "Ponzi scheme" of financial products. They will actually invest the funds raised from short-term financial products into financial products with long-term attributes and improve the capital chain of the business through the capital pool in order that they could achieve the goal of short-term financial products with short term, high income and low risk which could then raise funds. However, if one day the funds urgently need to be repaid on the debt side is greater than the existing funds on the current asset side, this "capital chain" will be forced to break, which will make investors face huge liquidity risks so that they cannot recover their principal. This means that buyers also seem to have to face unknown risks, not just the low risk of being advertised at the time of purchase.

### (3) Regulatory issues

Short-term financial products have the above problems and short-term financial products, and even all financial products have problems that need to be strengthened with further supervision.

On the one hand, there is a rigid redemption problem for short-term financial products. For a long time before the promulgation of the "The New Regulation on Asset Management", the phenomenon of rigid redemption and the capital pool mode generated to achieve rigid redemption generally existed in China's financial products. The existence of rigid redemption seriously distorted the risk-taking mechanism, and financial institutions bear the risks that investors should bear, resulting in a mismatch between products' risks and their returns, which eventually disrupted the order of the financial market. Since the formal implementation of "The New Regulation on Asset Management" in 2022, the development momentum and potential systemic risks of rigid redemption financial products have been curbed, and the disorderly development of shadow banking has been effectively managed [10]. On balance, although "The New Regulation on Asset Management" in the short term will lead to financing difficulties, they are conducive to the healthy development of enterprises and the economic society in the long run. Notwithstanding, at present, "The New Regulation on Asset Management" has not completely solved the problems of financial products' rigid redemption and the operation mode of the capital pool. Nowadays, the effectiveness of supervision is still low, and there is a lack of substantive and effective regulatory measures as well as punishments. The specific manifestation is that there is still a phenomenon of financial products' hidden rigid redemption [11].

On the other hand, there are still information leakage problems caused by lax supervision. Especially for today's development and growth of the Internet financial market, information leakage is more likely to occur. According to a survey of investors, more than half of investors have encountered information leakage in the process of Internet financial management. Once such personal privacy information is leaked, it is likely to cause the profits and credit of investors to be damaged or harassed by marketers on the phone. More seriously, the personal safety of investors can even be threatened.

## **2.4. Suggestions**

### **2.4.1. Suggestions for short-term financial products in Hong Kong Special Administrative Region**

From the foregoing, Hong Kong Special Administrative Region citizens have the demand of buying short-term financial products. Thus, if there is a probability for the Hong Kong Special Administrative Region government to develop a short-term financial products industry, the following could be some advice.

#### **(1) Lower the barrier**

##### **① Lower the industry entry threshold**

At present, the regulatory system in Hong Kong Special Administrative Region is relatively strict, which makes it difficult for many short-term financial products with high yields to survive. At the same time, it also greatly impacts other emerging or non-traditional products with more defects in regulation, which has hindered the emergence and development of more diversified financial products. Hong Kong Special Administrative Region can learn more from excellent international market regulation cases, explore new ways to better integrate into the global market in the new era, form a more flexible regulatory regime, and open up the market for short-term financial products and even wider products. For example, under the condition of ensuring the normal operation of the financial market, banks can assign the qualification of issuing financial products to other more qualified enterprises, break the status quo that banks alone control financial products, reduce the regulatory threshold of industry access, and allow more enterprises to participate in the supply of the financial market, which will make the market more active and vibrant.

##### **② Lower the consumption threshold**

At present, most of the money funds in Hong Kong Special Administrative Region are over-the-counter funds with banks as the channel, and the investment has a certain threshold. For example, if you want to open a financial account in Hong Kong Special Administrative Region, generally speaking, the minimum deposit amount is more than HK \$100,000. In addition, some financial institutions may require customers to maintain a certain deposit balance for a certain period of time after opening an account. Compared with the mainland, most of the short-term financial products are zero-threshold products. This high threshold leads some Hong Kong Special Administrative Region residents to not want to invest such a large amount of money in non-guaranteed investments, and it is difficult to bear the risk. In the future, Hong Kong Special Administrative Region can use the government's power to appropriately increase financial subsidies and lower the threshold of financial consumption to a certain extent. It can also increase the entry of internal funds and promote the coordinated development of internal and external funds.

#### **(2) Promote mixed operation**

With the development of Hong Kong Special Administrative Region's financial industry and the improvement of the degree of connectivity of the financial market, the long-term separate operation system has enabled Hong Kong Special Administrative Region to have relatively professional financial talents with market knowledge and financial talents. However, the current separation of commercial banks and securities companies has shown the disadvantages of separation, which lack due competition and cooperation and also inhibit the innovation and progress of Hong Kong Special Administrative Region's financial management industry. It also makes the development of short-term financial products lack certain industry conditions. Therefore, the banking industry should actively promote the process of changing from separate operation to mixed operation, and explore the methods

of mixed operation, so as to promote the development and prosperity of the short-term financial products market and meet the needs of the market.

### (3) Develop the Internal economy

With the establishment of the Guangdong-Hong Kong-Macao Greater Bay Area and the construction of "cross-border financial Communication", Hong Kong Special Administrative Region and the mainland have increasingly exchanged politics, culture and economy, and the financial management market has gradually become interoperable. Under such conditions, we can learn more and draw on the experience of developing the Internet economy in the mainland, starting with its advantages of convenience and speed and gradually developing and promoting it, trying to solve problems such as weak privacy, so as to realize the development of Internet financial management and the upgrading of short-term financial products [13].

## **2.4.2. Suggestions for short-term financial products in Chinese mainland**

As a region with a high popularity of short-term financial products, Chinese mainland should pay more attention to their existing problems and try to avoid risks to reduce the possibility of short-term financial products causing harm to both individuals and the whole society. Next, this study will give feasible suggestions for short-term financial product problems.

### (1) Improve people's awareness of finance

Short-term financial products have attracted a large number of investors due to their low thresholds, including some people with little knowledge of financial management. According to the data of the Beijing News in 2021, 89.7% of people's biggest concern about investment and financial management is the lack of financial knowledge, including the understanding of financial products, financial computing power and the dynamic mastery of financial economic policies. Generally speaking, this means that they lack vigilance against the risks of financial products [6]. Especially today, when short-term financial products are widely promoted, the development of the Internet provides great convenience for the short-term financial products market. If people do not have financial knowledge, they are likely to buy short-term financial products on the Internet at will, ignoring the risks behind them and endangering the safety of personal property. Therefore, financial institutions should improve the level of relevant knowledge of people. A specific method is to learn from the successful experience of Western intelligent wealth management companies such as Wealthfront, improve functions of the main platforms of short-term financial products such as Yu Ebao and WeChat's Minifund, and then provide online consulting services. Meanwhile, while providing consulting services to investors, platforms should focus on the easy-to-understand explanations of words and realize the transmission of professional knowledge to ensure that investors can understand. This can help people cultivate the concept of financial management and improve their financial management ability in order that it not only assists individuals in accumulating wealth but also helps the social economy develop.

### (2) Strengthen the supervision of short-term financial products

As mentioned in the "Problems of short-term financial products" above, although the "New Regulations on Asset Management" have been issued for many years, there are still hidden rigid redemption problems and the concept of principal guarantying, which derives from people's hearts. Therefore, the government and the state need to further improve and perfect the "New Regulations on Asset Management", completely break the rigid redemption situation and the concept of principal guarantying, and finally popularize the concept of "the seller does his duty, the buyer is responsible for undertaking the risk" to the public in order to correct the investor's concept of investment risk. Meanwhile, in order to solve the problem of low regulatory efficiency, governments should promote the trend of regulatory homogenization and standardization so as to find product problems in a timely manner and ensure the healthy development of the national economy.

Similarly, because of the widespread problem of information leakage, it is also necessary to strengthen its supervision to avoid disclosing investors' personal information. Li (2019) proposed that relevant agencies should be strictly required to collect as well as analyze customers' data based on compliance [6].

### 3. Conclusion

This study began by examining financial products and describing their current status in Chinese mainland and Hong Kong Special Administrative Region, and found that there are no short-term financial products in Hong Kong Special Administrative Region. Then, through comparison, the study explored the reasons why there are no short-term financial products in Hong Kong Special Administrative Region and found out that there are four main factors: conceptual factors, interest rate factors, regulatory factors and social structure factors. Next, the study deeply analyzed the three major problems existing in short-term financial products, namely: handling fees as well as threshold issues, Rate of return, term as well as risk issues, and regulatory issues. Based on this, the research further provided feasible suggestions for the future development of short-term financial products in Hong Kong Special Administrative Region and the mainland, respectively.

Nevertheless, the results of the study should be taken cautiously because of two limitations. First, less data was used in the research of the proof process. Team members encountered many difficulties in the process of searching for data related to short-term financial products, such as few data sources, fuzzy data and other problems. Second, due to geographical problems, the practice scope of research was limited. The team members were all in Chinese mainland, and in the process of hands-on practice, we couldn't experience all short-term financial products across China. Therefore, further similar research should not only find more data to prove the point of view but also dig and analyze the data more deeply. What's more, in the subsequent research, they should pay attention to spending more time and energy to gain a deeper understanding and experience of the financial management process.

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