LCQ22: Consolidating Hong Kong's status as international financial centre

Following is a question by the Hon Chan Chun-ying and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (May 11):

Question:

According to a global financial centres index report released in March this year, the overall global ranking of Hong Kong remained in the third place. However, there was a mere one point difference between the overall ratings of the financial centres in the third to the eighth places in the overall ranking, and Hong Kong was ranked fourth in terms of human capital (lagging behind that of Singapore) and even as low as eleventh in terms of financial sector development. There are views pointing out that the Government should expedite policy implementation in order to consolidate and enhance Hong Kong's status as an international financial centre. In this connection, will the Government inform this Council:

(1) whether the various policy initiatives relating to enhancing Hong Kong's status as an international financial centre in the 2021 Policy Address as well as in the Budget published in February this year have been implemented as scheduled; if so, of the details; if not, the reasons for that;

(2) as it is learnt that some non-Chinese nationals residing in Hong Kong or senior echelons of enterprises who need to travel to and from Hong Kong for business purposes have decided to relocate outside Hong Kong due to the great inconvenience brought about by the anti-epidemic measures implemented locally, whether the Government will consider, under certain conditions, adjusting the anti-epidemic measures implemented for such persons (e.g. allowing them to undergo home quarantine instead of hotel quarantine after returning to Hong Kong), so as to retain talents to work in Hong Kong; if so, of the details; if not, the reasons for that; and

(3) whether it has made preparation for visit programmes to be conducted by government officials after the epidemic is over for the purpose of promoting Hong Kong, so that the relevant work can be commenced as soon as possible when appropriate; if so, of the details; if not, the reasons for that?

Reply:

President,

As an international financial centre, Hong Kong possesses unique qualities including institutional advantages under "one country, two systems", a fine tradition of rule of law, a market-oriented and internationalised business environment, robust infrastructure support, internationally aligned regulatory regimes, a full range of financial products and free flow of information and capital. The National 14th Five-Year Plan supports Hong Kong in enhancing its status as an international financial centre, strengthening Hong Kong's development as a global offshore Renminbi (RMB) business hub, an international asset management centre and a risk management centre, deepening and widening mutual access between the financial markets of the Mainland and Hong Kong, and taking forward the high-quality development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA).

The steady development of our country provides the most solid backing for Hong Kong, while serving our country's needs is the core duty of Hong Kong in developing as an international financial centre. Under the "dual circulation" framework, our country's continuous reform, high-quality two-way opening up, ongoing RMB internationalisation, transformation to a green and zero-emission economy, etc, have brought Hong Kong new opportunities. We will continue to make good use of national policies and our own advantages, and play a bridging and platform role at the intersection of domestic and international circulations well. We will connect domestic and foreign markets as well as investors, assist Mainland enterprises to explore the international market, and develop a more vibrant and diversified financial market in terms of the type of investment products, risk management tools, appropriate corporate financing arrangement, treasury management needs, etc.

My reply to the three parts of the question is as follows:

(1) The Government has commenced the implementation of a series of measures in developing the financial services industry under the 2021 Policy Address and the 2022-23 Budget. The major measures are summarised below:

(i) We will continue to expand mutual access with the Mainland financial market. In December 2021, the Hong Kong Exchanges and Clearing Limited (HKEX), the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the China Securities Depository and Clearing Corporation Limited reached an agreement on the Stock Connect inclusion arrangements for exchange traded funds (ETFs). The parties are working closely on the business and technical preparations with a view to facilitating trades as soon as possible. The Cross-boundary Wealth Management Connect (WMC) in the GBA was formally launched in September 2021 and banks commenced relevant business in October the same year. In light of actual operational experience and market feedback, we are exploring relevant measures to enhance WMC in an incremental manner, such as allowing more participating financial institutions and improving sales arrangements. The Government also aims to move a resolution in June 2022 to amend the Mandatory Provident Fund Schemes (General) Regulation (Regulation) by including the Central People's Government, the People's Bank of China (PBoC) and three Mainland policy banks as "exempt authority" under the Regulation, so as to facilitate Mandatory Provident Fund (MPF) investment in debt securities issued or unconditionally guaranteed by those Mainland authorities.

(ii) To further develop offshore RMB financial products available in Hong

Kong and enhance demand for the issuance and trading of RMB securities by the market, a working group, formed by the Securities and Futures Commission (SFC), the HKEX and the Hong Kong Monetary Authority (HKMA) last year, has completed the feasibility study on allowing stocks traded via the Southbound Trading of Stock Connect to be denominated in RMB. The working group is proceeding with the necessary preparation in this regard and discussing with the regulatory authorities and relevant organisations in the Mainland. The Government will roll out supporting measures to increase the liquidity of RMB-denominated stocks alongside the launch of the initiative and is undertaking preparatory work on the necessary legislative amendments.

(iii) Following the annual RMB sovereign bond issuance by the Ministry of Finance in Hong Kong for 13 years consecutively since 2009 and the established regular mechanism of central bank bill issuance in Hong Kong by the PBoC, the Shenzhen Municipal People's Government issued offshore RMB municipal government bonds in Hong Kong in October 2021. In respect of interest paid or profit received arising from the debt instruments issued in Hong Kong by the Shenzhen Municipal People's Government, the Government will exempt the payment of profits tax. This is the first time a Mainland municipal government issues bonds outside the Mainland. This enriches our spectrum of RMB financial products, thereby promoting RMB internationalisation further. We will continue to facilitate bond issuances in Hong Kong by relevant authorities in future.

(iv) On securities market, the listing regime for overseas issuers was further enhanced in January 2022, including allowing Greater China companies without weighted voting rights structure and which are from traditional sectors to seek secondary listing in Hong Kong, and offering more flexibility to issuers seeking dual primary listings. In the same month, the HKEX established the listing regime for special purpose acquisition companies (SPACs), broadening the channels for enterprises to seek financing and listing in Hong Kong. Considering the fact that there are some large-scale advanced technology enterprises which require substantial capital for their research and development work but are not qualified for listing as they fail to meet the profit and trading record requirements, the SFC and the HKEX are reviewing the Main Board Listing Rules, and having due regard to the risks involved, examining the revision of the listing requirements to meet the fundraising needs of such enterprises.

(v) On bond market, we will implement the recommendations of the Steering Committee on Bond Market Development in Hong Kong progressively, including launching the inaugural 20-year Hong Kong Dollar government bond under the Government Bond Programme in 2022. The Government has expanded the scale of the Government Green Bond Programme, doubling the borrowing ceiling to $200 billion. The Government will also issue green bonds totalling around $175.5 billion within the five years from 2021-22, having regard to the market situation. In addition, we have launched the inaugural retail green bond for public subscription in April 2022.

(vi) On asset management, the Government proposed to provide tax concessions for the eligible family investment management entities managed by singlefamily offices. We are formulating the legislative proposals concerned and our target is to introduce the amendment bill into the Legislative Council (LegCo) in the second half of 2022.

(vii) On MPF, we are working in full steam on the development work of the eMPF Platform, with a view to enabling sequential and orderly onboarding of trustees and their MPF schemes to the Platform starting from around April 2023 at the earliest, thereby making the eMPF Platform fully functional in 2025.

(viii) On insurance, we have completed three rounds of Quantitative Impact Studies in preparation for the implementation of a risk-based capital (RBC) regime and briefed the LegCo Panel on Financial Affairs. Our target is to submit the relevant bill into the LegCo in the fourth quarter of 2022. The Insurance Authority (IA) is also conducting a consultancy study to review parameters relevant to the establishment of the Policy Holders' Protection Scheme (PPS). We will conduct public consultation on the specific content of the proposed PPS this year, and prepare the relevant draft bill after considering the views collected during the public consultation, with a view to better protecting policyholders in case an insurance company becomes insolvent.

(ix) On promoting green and sustainable finance, the Cross-Agency Steering Group (Steering Group) was established in May 2020 to co-ordinate the management of climate and environmental risks to the financial sector, accelerate the growth of green and sustainable finance in Hong Kong and support the Government's climate strategies. The Steering Group published in March 2022 a preliminary feasibility assessment for Hong Kong to pursue carbon market opportunities and will proceed with next steps with a view to developing Hong Kong into a regional carbon trading centre. It will consider which market and regulatory model would be the most appropriate, and prepare a detailed roadmap, implementation plan and indicative timeline after consulting market experts and relevant authorities.

(x) On promoting financial technology (fintech), we are taking forward formation of a one-stop sandbox network with the Mainland to assist financial institutions and information and technology companies to test cross-boundary fintech applications. The HKMA and the PBoC have signed a memorandum of understanding in October 2021 on provision of the one-stop platform. In addition, we will launch the new round of the Fintech Proof-of-Concept Subsidy Scheme this year to promote continuous innovation by encouraging the financial industry to conduct Proof-of-Concept projects on more financial services and products.

(xi) On nurturing financial talent, the first batch of fintech professional qualifications for the banking sector is expected to be rolled out this year. We will also conduct a consultancy study to continue developing fintech professional qualifications for different financial sectors, thereby promoting professional development of fintech talent. In addition, a new round of the Financial Practitioners Fintech Training Programme was implemented in February 2022, comprising the Webinars Series and Incentive

Scheme. The Webinars Series has attracted applications from over 7 100 financial practitioners, while we expect that at least 10 training programmes organised by trade associations will benefit from the Incentive Scheme. Having regard to the new trend of developing low carbon and sustainable economy, the Government also plans to launch a three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme. Under the scheme, subsidies will be provided for the training and acquisition of relevant professional qualifications, so as to encourage practitioners in the financial and other relevant sectors to participate in the training.

(2) As the global pandemic situation remains, stringent inbound control measures are needed to guard against the importation of cases under the dynamic "zero infection" policy. The Government has already suitably adjusted the boarding, quarantine, and testing arrangements applicable to persons arriving at Hong Kong as far as risks could be properly managed, including allowing non-Hong Kong residents to enter Hong Kong from overseas places and suitably adjusting the route-specific flight suspension mechanism with effect from May 1, so as to alleviate as much as possible the uncertainty of Hong Kong-bound passengers' journeys in reserving flights and designated quarantine hotels, in response to the strong demands from the relevant trade.

The Government will continue to closely monitor the epidemic situation of different places in accordance with the principles of guarding against the importation of cases, and will consider a basket of factors under the risk-based principle, including public health factors such as epidemic situation in particular places, testing rate, vaccination rate, volume of arrivals and actual imported cases, as well as the developments of the local epidemic situation and relevant local socio-economic factors in adjusting the boarding, quarantine and testing arrangements for overseas arrivals based on risk levels as the situation warrants.

(3) The Government has all along been promoting a favourable image of Hong Kong internationally and in the Mainland through different channels. Outbound visits by senior government officials are one of the channels to intensify the promotion. While physical outbound visits have been temporarily suspended or postponed due to the global pandemic situation and related travel restrictions, all government bureaux and departments have, as far as practicable, attended activities or meetings online in order to continuously connect with other parts of the world. For instance, the Secretary for Financial Services and the Treasury has arranged to meet with esteemed business leaders from Malaysia, Sydney, etc, online later this month and in mid-June respectively, so as to share Hong Kong's positive progress on areas such as asset management, fintech and green finance in recent years, and promote the possibility in strengthening co-operation between Hong Kong and the Association of Southeast Asian Nations as well as Australia in different economic and financial aspects. Physical outbound visits will be gradually taken forward as the global pandemic situation improves with travel restrictions lifted.

In this connection, the HKEX and financial regulators have already arranged outbound visit programmes. Among others, the Chairman of the HKEX has planned to attend the World Economic Forum in Davos, Switzerland in May, while the HKMA and the IA have also planned to participate in international conferences in May and June respectively, with a view to sharing the latest situation of Hong Kong, connecting with overseas financial regulators and financial institutions, as well as promoting the future development and opportunities in Hong Kong.