

SFST's opening remarks on financial services at LegCo Finance Committee special meeting

Following is the English translation of the opening remarks by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at the special meeting of the Legislative Council (LegCo) Finance Committee today (April 11), on the estimates of expenditure for financial services and the key areas of work:

Chairman and Honourable Members,

I will briefly introduce the estimates of expenditure for financial services and our key areas of work in the coming year.

Estimates of Expenditure

The allocation to the Financial Services Branch and departments under its purview for 2022-23 is about \$2.1 billion. The amount represents a reduction of about \$0.27 billion over the revised estimate of last year.

Key Areas of Work

In the coming year, to enhance Hong Kong's status as an international financial centre, we will on one hand focus on safeguarding Hong Kong's financial stability and on the other continue to enhance financial co-operation with the Mainland by introducing a series of new initiatives for promoting market development having regard to the National 14th Five-Year Plan.

Safeguarding Financial Stability

With our resilient regulatory regime, robust risk management measures and ample foreign exchange reserves, Hong Kong's financial system has demonstrated resilience despite the impact of the COVID-19 pandemic, geopolitical tensions as well as a wide range of global uncertainties in the past two years or so. The Linked Exchange Rate System and various facets of the markets have been functioning in an orderly manner without any abnormal signs of capital flow. We will continue to strive for maintaining financial stability in Hong Kong.

New Initiatives for Promoting Market Development

There are three major fronts on promoting market development. First, we will assist the industry in seizing new opportunities in the financial market.

(i) Fintech: To encourage the financial industry to innovate, we launched last year the Fintech Proof-of-Concept Subsidy Scheme, which has

received an overwhelming response from the industry. We propose allocating a funding of \$10 million for launching a new round of the scheme this year, and expanding the scope of eligibility for receiving a subsidy. We will also strive to provide a one-stop platform for the industry to conduct the trial of cross-boundary fintech projects concurrently in the Mainland and Hong Kong, and explore expanding the function of the Commercial Data Interchange.

(ii) Green and Sustainable Finance: The Government will continue to issue green bonds totalling about US\$4.5 billion or equivalent this year and will lower the minimum loan size threshold from \$200 million to \$100 million in respect of applications for subsidies for covering external review costs under the Green and Sustainable Finance Grant Scheme launched last year.

(iii) Manpower Training: Nurturing and building up Hong Kong's manpower reserve is pivotal to seizing the above two new opportunities on fintech and green and sustainable finance. In this regard, we will launch various schemes to provide subsidies for training and attaining relevant professional qualifications.

The second front is exploring further development while consolidating the existing advantages.

(i) Securities Market: The reform to the listing regime in 2018 has brought about significant increases in market capitalisation and trading volume in the Hong Kong securities market over the past few years. We will continue to enhance the listing mechanism, and strive to balance between regulation and market development. The Hong Kong Exchanges and Clearing Limited (HKEX) implemented a series of measures in January this year to enhance the listing of overseas enterprises, with a view to welcoming the return of China concept stocks. Meanwhile, HKEX also launched a new listing route for special purpose acquisition companies (SPAC). As a next step, we will examine the revision of listing requirements to meet the fundraising needs of large-scale advanced technology enterprises which require substantial capital for research and development but are currently not qualified for listing without the required profit and trading record, while further developing Hong Kong into a deeper and broader fundraising platform. We will also implement the mutual access of exchange traded funds (ETFs) as soon as possible, and enhance and explore more risk management products.

(ii) Bond Market: We will progressively implement the recommendations of the Steering Committee on Bond Market Development in Hong Kong, further enhance the functions of the Central Moneymarkets Unit, and explore the development of an electronic bond trading platform. Furthermore, we will issue no less than \$15 billion of iBond, \$35 billion of Silver Bond and \$10 billion of retail green bond this year. The Hong Kong Mortgage Corporation Limited is expected to offer infrastructure financing securitisation products with a total value of US\$450 million in this financial year to institutional investors.

(iii) Asset and Wealth Management: We have proposed to provide tax concessions for eligible family investment management entities managed by single-family offices. We are consulting the industry on the detailed

proposal.

(iv) The eMPF Platform: The eMPF Platform project is entering the critical building stage this year. Despite the mega scale and complexity of the project, we will work with the Mandatory Provident Fund Schemes Authority and the eMPF Platform Company Limited to continue to take forward the project at full steam and strive to complete the project on schedule, so as to create room for fee reduction to scheme members as early as possible.

The third major front on promoting market development is to strengthen the function as the offshore Renminbi (RMB) business hub, and strive to enhance the offshore RMB business ecosystem in Hong Kong. As regards allowing stocks traded via the Southbound Trading of Stock Connect to be denominated in RMB, the working group has completed the feasibility study. As a next step, we will discuss with the regulatory authorities and relevant organisations in the Mainland in this regard, while the HKEX will be in touch with issuers and relevant sectors. The Government is also prepared to roll out supporting measures such as waiving the stamp duty on stock transfers paid by market makers in their transactions, so as to increase market liquidity and facilitate trading. On enriching our spectrum of RMB financial products, the Shenzhen Municipal People's Government issued offshore RMB municipal government bonds totalling RMB5 billion in Hong Kong, including green bonds. This is the first time a Municipal People's Government has issued bonds in Hong Kong. Riding on this successful issuance, we will continue to encourage more diversified RMB wealth management products and bonds to be issued in Hong Kong, thereby promoting the internationalisation of RMB.

Other Budget Measures

Finally, in view of the impact of the latest wave of the pandemic on various sectors and the labour market, we have extended for one year the application period of the 100% Personal Loan Guarantee Scheme (PLGS) introduced last year, and implemented new enhancement measures for the PLGS.

Chairman, my colleagues and I will be happy to answer any questions from Members.

Thank you.