

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

Following is the English translation of the speech 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 13), 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 2021-22 is about \$3.8 billion. The amount represents an increase of about \$1.5 billion over the original estimate of last year.

Key areas of work

In the coming year, to reinforce our status as an international financial centre, we will focus our work on safeguarding Hong Kong's financial stability on the one hand and continue to launch new initiatives for promoting market development on the other. We will also enhance financial co-operation with the Mainland. In addition, under the pandemic, we will be launching initiatives to relieve people's hardship.

(I) Safeguarding financial stability

Financial stability provides a sound foundation for the development of Hong Kong's financial market. With our resilient regulatory regime and robust risk management, Hong Kong's financial system has demonstrated resilience despite the impact of the pandemic and other uncertainties in the global environment on our financial markets over the past year or so. The Linked Exchange Rate System and various facets of the markets have been functioning in an orderly manner. According to the latest data, major banks' average liquidity coverage ratio exceeded 150 per cent, and the industry's average capital adequacy ratio exceeded 20 per cent, both well above the international standards. We will continue to closely monitor the financial market situation.

(II) New initiatives for promoting market development

On promoting market development, I would like to give a brief account of

our new initiatives.

(i) On the asset and wealth management front, we will step up efforts to enhance Hong Kong's status as an international asset and wealth management centre. To propel the development of the real estate investment trust (REIT) market in Hong Kong, subsidies will be provided to cover the expenses paid to local professional service providers by qualifying REITs authorised by the Securities and Futures Commission and listed in Hong Kong in the coming three years. We will also sponsor open-ended fund companies (OFCs) by providing subsidies to cover the expenses paid to local professional service providers for OFCs set up in or re-domiciled to Hong Kong in the coming three years. In addition, Invest Hong Kong's dedicated team is expected to commence operation in the second quarter this year to offer one-stop support services to family offices which are interested in establishing a presence here.

(ii) Regarding the securities market, the Hong Kong Exchanges and Clearing Limited is conducting a consultation on expansion of the secondary listing regime for overseas issuers to list in Hong Kong. The consultation includes proposals for allowing overseas-listed Greater China companies from traditional sectors without a weighted voting rights structure to seek listing, and proposals for providing greater flexibility for issuers seeking dual-primary listings whilst retaining their existing weighted voting rights structures and variable interest entity structures. In respect of the expansion of mutual capital market access programmes, we will seek to launch and implement Southbound Trading of Bond Connect, expand the scope of eligible securities under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, and launch A-share index futures. Regarding ETF Connect, which was first mentioned at the launch of Shenzhen-Hong Kong Stock Connect, we hope to gradually include exchange-traded funds as eligible securities under the programmes as soon as possible.

(iii) In relation to the development of the insurance industry, thanks to the support of the LegCo, we have completed a number of legislative exercises to promote the development of the insurance industry, including those relating to insurance-linked securities (ILS). In order to enhance Hong Kong's competitiveness in this area, we propose to launch a two-year Pilot ILS Grant Scheme to subsidise the up-front costs of issuing ILS in Hong Kong.

(iv) To further consolidate Hong Kong's position as a green and sustainable finance hub in the region, we will issue green bonds regularly and expand the scale of the Government Green Bond Programme by doubling its borrowing ceiling to \$200 billion to allow for further issuance of green bonds totalling \$175.5 billion within the next five years, having regard to the market situation. We also plan to issue retail green bonds for the participation of the general public. Moreover, the Government will launch a Green and Sustainable Finance Grant Scheme to provide a subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services.

(v) As regards the bond market, a steering group led by the Financial Secretary will be set up to formulate a road map for promoting the

diversified development of the Hong Kong bond market. At the same time, we will enhance the efficiency and capacity of the Central Moneymarkets Unit (CMU) of debt instruments to support its future commissioning of Southbound Trading. In the long run, we will develop the CMU as a major international central securities depository platform. In addition, we plan to raise the borrowing limit of the Government Bond Programme to \$300 billion. We will also issue more iBond and Silver Bond, and lower the eligible age for subscribing Silver Bond from 65 to 60 so that more citizens can participate in it.

(vi) We will continue to drive the development of fintech in Hong Kong, including promoting the Fintech Proof-of-Concept Subsidy Scheme announced in January this year. We will also press ahead with the development of the eMPF Platform, including the introduction of second-phase legislative amendments to the LegCo to provide a legal basis for the operation of the electronic common platform.

(III) Enhancing financial co-operation with the Mainland

We will continue to strengthen financial co-operation with the Mainland and leverage the enormous opportunities presented by the Guangdong-Hong Kong-Macao Greater Bay Area development. We can see boundless potential for the Hong Kong market to make a greater contributions to the country under the "dual circulation" development pattern. The Financial Services and the Treasury Bureau, together with relevant regulators, has already set up a joint working group to explore how Hong Kong's markets can, in the future, complement the development of our country and meet the needs of international investors with a view to setting out a development blueprint.

(IV) Relieving hardship

To relieve people's hardship, the Financial Secretary announced in the Budget the introduction of a 100% Personal Loan Guarantee Scheme to provide a supplementary financing option to help unemployed persons affected by the pandemic tide over the interim difficulty. Thanks to Members' support, the Finance Committee has approved the funding to provide a total commitment of \$15 billion for the Scheme. The application details will be announced as soon as possible.

My colleagues and I will be happy to answer any questions from Members.

Thank you, Chairman.