USEE attends forum in Shenzhen on co-construction of high-quality hydrogen industry chain in GBA (with photo)

The Under Secretary for Environment and Ecology, Miss Diane Wong, today (November 15) attended a forum in Shenzhen on the co-construction of a high-quality hydrogen industry chain in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), organised by the China Petrochemical Corporation. The forum is part of the 25th China Hi-Tech Fair Global Clean Energy Innovation Expo. With the theme of "Leading by technology, shaping the future with hydrogen", it brought together representatives of government departments, experts, scholars, research institutions, and enterprises for discussions and exchanges.

Speaking at the forum, Miss Wong said, "Countries around the world are actively promoting low-carbon energy transformation for the purpose of combating climate change. Green hydrogen energy plays a crucial role in global green energy development, and hence the promotion of the green hydrogen industry and the green hydrogen economy has become the trend. In March 2022, the National Development and Reform Commission and the National Energy Administration jointly issued the Medium and Long Term Plan for the Development of Hydrogen Energy Industry (2021-2035), and hydrogen energy is considered as an integral part of the national energy system in the future.

"To prepare for an extensive application of hydrogen energy in Hong Kong in the future, the Hong Kong Special Administrative Region (HKSAR) Government established an interdepartmental working group last year to study the development and commercialisation of various hydrogen energy technologies and promote the application of hydrogen energy through different trial projects in the local community."

She pointed out that "The Chief Executive's 2023 Policy Address" stated that Hong Kong will make every effort to promote the use and supply of new energy for sea, land and air transport purposes to facilitate the green transformation. The HKSAR Government will formulate the Strategy of Hydrogen Development in Hong Kong in the first half of next year and commence the legislative amendment work, and will also study the feasibility of importing hydrogen from other cities in the GBA. Discussions have been held with the Shenzhen Municipal Government to provide sufficient hydrogen refuelling facilities in areas adjacent to boundary control points for the cross-boundary transport trade.

"Hong Kong will leverage our advantages of enjoying strong support of the motherland and being closely connected to the world. We will continue to develop the HKSAR into a green financial hub in the GBA and to attract more funds to projects that are conducive to the development of hydrogen energy," said Miss Wong.

Miss Wong returned to Hong Kong this afternoon.

[Hong Kong Academy of Finance's 2024 intake of Financial Leaders Programme is open for application]

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Academy of Finance (AoF) announces that the 2024 intake of the Financial Leaders Programme (FLP) is open for application today (November 15). Commencing in 2022, the FLP aims to inspire financial talents, to equip them with a mindset to lead and look at issues from a macro perspective, as well as to expand their network.

The FLP offers a unique opportunity for participants to engage in dialogue with top leaders in financial services and other sectors. Each year, the FLP will admit around 20 promising financial talents from a diverse background at approximately two levels below the chief executive officer position. The FLP will be offered on a part-time basis and last for about nine months, with the 2024 Programme commencing in April 2024. Application will open between November 15 and December 17, 2023. Applications received will be considered by the Membership Committee of the AoF. Further information about the FLP and the application form are available from the AoF website.

The FLP is jointly supported by all the financial regulators in Hong Kong, namely the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission, the Insurance Authority and the Mandatory Provident Fund Schemes Authority, and the Financial Services and the Treasury Bureau.

Mr Eddie Yue, Chairman of the AoF and the Chief Executive of the HKMA, said, "To strengthen Hong Kong's position as an international financial centre amid this complex and ever-changing macro environment, we need to develop more financial leaders with global vision and leadership mindset to drive innovations and spearhead changes. The FLP has been running for two years and has received very positive feedback from the participating financial institutions, regulators, and cohort members. I strongly recommend the FLP and encourage our financial talents to seize the opportunity to join or nominate your promising staff to join."

LCQ17: Enhancing building safety

Following is a question by the Hon Vincent Cheng and a written reply by the Secretary for Development, Ms Bernadette Linn, in the Legislative Council today (November 15):

Question:

The Government has proposed in the latest Policy Address the introduction of a series of measures to enhance building safety. In this connection, will the Government inform this Council:

(1) of the total number of statutory notices issued by the authorities since the implementation of the Mandatory Building Inspection Scheme (MBIS); given that about 4 800 buildings did not comply with MBIS notices as at July 19, 2023, but the authorities' indicator is that 1 000 dilapidated/dangerous buildings will be repaired/rectified by their owners or government contractors within 2024, whether the authorities have an overall timetable for monitoring the repair or rectification works of buildings which have not complied with MBIS notices and have not been included in the indicator concerned;

(2) whether it has compiled statistics on the number of cases involving the spalling of concrete from the external walls of buildings in the past six months, with a breakdown by District Council district and the causes for the spalling;

(3) given that among the buildings which did not comply with notices as mentioned in (1), about 2 700 buildings did not comply with notices upon their expiry, how the authorities assist the owners concerned or relevant persons to expedite the relevant works, e.g. whether they will consider introducing a scheme to allow the owners or tenants concerned to take the initiative to request the Buildings Department to carry out the default works; if so, of the details; if not, the reasons for that;

(4) given that the Government will propose amendments to the Buildings

Ordinance (Cap. 123) in 2024, which include streamlining the prosecution procedures, lowering the prosecution threshold and increasing the penalties for expired and non-compliant MBIS notices and repair orders, of the contents of the relevant preliminary proposals; of the estimated earliest time for implementing the proposals in the bill; and

(5) given that the Government will establish the Fire Services Department Building Improvement Support Centre by the end of 2023 to provide the owners and occupiers of relevant old buildings with oneâ€‘stop support services for complying with the requirements of relevant legislation on the fire safety of old buildings and enhancing their fire safety, of the relevant specific details (for example, whether it will take the initiative to contact the owners concerned and relevant persons); whether the Government will provide the owners concerned or relevant persons with temporary fire service equipment or relevant subsidies before the buildings concerned have complied with relevant directions; if so, of the details?

Reply:

President,

The Government is highly concerned about building safety incidents and is implementing a series of measures focusing on following up on buildings with non-complied Mandatory Building Inspection Scheme (MBIS) notices, including stepping up enforcement and providing support for owners or owners' corporations (OCs) of buildings. We will also conduct a comprehensive review on the MBIS policy as announced in the Policy Address, with a view to addressing the problem of old buildings in disrepair in a more targeted manner.

Regarding the Member's question, having consulted the Security Bureau (regarding part 5 of the question), my reply is as follows:

(1) and (3) Since the launch of the MBIS in 2012, the Buildings Department (BD) had issued MBIS notices to about 7 000 target buildings as at May 2023, requiring prescribed inspections and repairs for the common parts of buildings to be carried out before the specified deadlines. The cases with expired MBIS notices that had not been complied with involve about 3 800 buildings (Note 1), 1 100 of which have been selected as Category 2 buildings under the Operation Building Bright 2.0 (OBB 2.0) (Note 2), the BD will exercise its statutory power to carry out prescribed inspections and repairs on behalf of the relevant owners and recover the costs from them afterwards.

For the remaining 2 700 buildings with expired MBIS notices that have not been complied with, the BD has issued letters to relevant Registered Inspectors (RIs), owners and OCs in batches before the end of September this year, requesting them to report progress and the concrete work plan within one month. To date, the BD has received more than 1 900 responses so far. More than half of them have made substantive progress in the past few months as the Government stepped up its efforts to follow up. The BD will depend on the content of the responses, take appropriate follow up actions such as making referrals to the Urban Renewal Authority (URA) or the Home Affairs

Department (HAD) as to provide appropriate assistance. For buildings from which responses have yet to be received, the BD and the HAD will make further attempts to contact the RIs, owners and/or OCs concerned. For cases without reasonable excuse and of unsatisfactory progress, the BD will instigate prosecution proceedings against the OC or owners concerned starting from this quarter. If there are cases in which owners show an intention to procrastinate, the BD will deal with such cases with priority and instigate prosecution proceedings as soon as possible. We would like to take this opportunity to appeal to the relevant owners and/or OCs again to take immediate follow-up action for the non-compliant MBIS notices, failing which they will be liable to prosecution.

In addition, a standing communication mechanism led by the Development Bureau has been set up to co-ordinate the BD, the HAD and the URA to enhance tripartite co-operation. The three parties will continue to proactively provide information, co-ordination as well as technical and financial support to OCs and owners. Earlier on, the three parties co-organised eight district briefings in the Sham Shui Po, Kowloon City, Yau Tsim Mong, Central and Western, Wan Chai, North, Tsuen Wan and Wong Tai Sin districts to explain the procedures and requirements pertaining to compliance with MBIS notices. The district briefing in the Eastern District will be held within this month.

It is the owners' responsibility to ensure building safety. Owners are required to carry out regular inspections and timely repairs to ensure that the properties are well-maintained and in safe conditions. If owners need technical and/or financial assistance, OBB 2.0, which is funded by the Government and implemented by the URA, can provide appropriate assistance. Only when the owners have practical difficulties in organising the relevant inspection and repair works, that the buildings meet the eligibility requirements of OBB 2.0 and the BD's risk assessment (including factors such as age and condition of the building, whether it is a "three-nil" building or will pose a danger to the public) would the BD select them in an orderly manner as Category 2 buildings to carry out default works. This is to ensure that limited resources can be allocated to buildings that are most in need of government intervention in a target manner. Allowing owners or tenants to take the initiative to offer to hand over their responsibilities to the BD for carrying out default works is not the policy intent, nor is it an effective use of resources.

The key performance indicator set by the BD for 2024 is to repair/rectify 1 000 dilapidated/dangerous buildings by owners or Government contractors (Note 3). The majority of these buildings, i.e. 800 buildings, are expected to be inspected and repaired by the owners themselves, with only the remaining 200 buildings to be repaired by the Government under Category 2 buildings of OBB 2.0 as default works. This estimated ratio reflects the policy intent that building owners should be responsible for building maintenance and the Government should only intervene when necessary.

The Policy Address announced a comprehensive review of the MBIS policy from three directions, one of which is to enhance support for owners. We will review the workflow of various stages of OBB 2.0, such as streamlining the procedures for engaging building inspection professionals and contractors, so as to assist owners or OCs who have applied for the subsidy to expedite the pace of building inspections and repairs. The other two directions include more precise selection of target buildings for issuance of MBIS notices, proactively identify higher-risk buildings, enhance the capabilities of the BD to inspect such buildings and carry out emergency repair works through outsourcing. We will put forward specific proposals in the first quarter of next year.

(2) The number of cases of fallen concrete or renderings from external walls of buildings received by the BD from January to September 2023, breakdown by District Council districts, are tabulated below. The BD does not keep statistics on the reason of defects.

District	**Number of Cases**
Central and Western	18
Eastern	13
Kowloon City	31
Kwai Tsing	24
Kwun Tong	3
North	3
Islands	3
Sai Kung	0
Sham Shui Po	30
Sha Tin	1
Southern	2
Tai Po	1
Tsuen Wan	17
Tuen Mun	2
Wan Chai	13
Wong Tai Sin	4
Yau Tsim Mong	64
Yuen Long	5
Total:	**234**

(4) We will conduct a comprehensive review on the Buildings Ordinance to step up enforcement efforts by the BD. We will explore the introduction of a fixed penalty system for certain types of cases to streamline prosecution procedures and lowering the prosecution threshold, as well as raising the penalties against non-compliance with notices served under the MBIS and the Mandatory Window Inspection Scheme, repair and investigation orders, as well as enforcement against unauthorised building works, etc, in order to increase the deterrent effect. We will put forward the amendment proposals next year and conduct public consultation with the aim of submitting the amendment bill to the Legislative Council as soon as possible.

(5) The Security Bureau advised that the Fire Services Department will establish the Fire Services Department Building Improvement Support Centre (Support Centre) by end-2023 to provide one-stop support services for owners and occupiers of old commercial, residential or industrial buildings for complying with requirements of relevant legislation on enhancing fire safety of old buildings. Examples of support services include explaining the requirements of relevant legislation, providing consultation services on fire safety improvement works as well as related subsidy and loan schemes, and referral of cases to relevant departments or organisations for follow-up when necessary. Members of the public may visit or call the Support Centre for relevant support services.

While taking forward the above initiative, the Government will continue to proactively provide support to owners of old buildings (especially owners of old composite and domestic buildings) in relation to support on financial, technical and co-ordination among owners, with a view to assisting owners to comply with the relevant requirements under the legislation relating to fire safety in old buildings as soon as practicable.

Note 1: The 4 800 buildings referred to in the question also include about 1 000 buildings which had not yet complied with MBIS notices and the deadlines had not yet expired at the time.

Note 2: The Government allocated $6 billion for the URA to implement OBB 2.0 to subsidise eligible owners in co-ordinating inspection and repair works in respect of common parts under the MBIS. Buildings that are able to co-ordinate the works among themselves may apply as Category 1 buildings. The BD will exercise its statutory power in carrying out the necessary inspection and repair works on behalf of the owners with the cost to be recovered from the owners after completion of work for Category 2 buildings. Eligible owners can apply for OBB 2.0 subsidy for reimbursement of part or all of the cost of the works.

Note 3: Includes both repairs/rectifications by owners arising from the BD's advisory letters, investigation/repair orders or MBIS notices, and repairs rectifications by default works by the BD's consultants/Government contractors for non-compliant orders, and default works under Category 2 of OBB 2.0.

Inspection of aquatic products imported from Japan

In response to the Japanese Government's plan to discharge nuclear-contaminated water at the Fukushima Nuclear Power Station, the Director of Food and Environmental Hygiene issued a Food Safety Order which prohibits all aquatic products, sea salt and seaweeds originating from the 10 metropolis/prefectures, namely Tokyo, Fukushima, Ibaraki, Miyagi, Chiba, Gunma, Tochigi, Niigata, Nagano and Saitama, from being imported into and supplied in Hong Kong.

For other Japanese aquatic products, sea salt, and seaweeds that are not prohibited from being imported into Hong Kong, the Centre for Food Safety (CFS) of the Food and Environmental Hygiene Department will conduct comprehensive radiological tests to verify that the radiation levels of these products do not exceed the guideline levels before they are allowed to be supplied in the market.

As the discharge of nuclear-contaminated water is unprecedented and will continue for 30 years or more, the Government will closely monitor and step up the testing arrangements. Should anomalies be detected, the Government does not preclude further tightening the scope of the import ban.

From noon on November 14 to noon today (November 15), the CFS conducted tests on the radiological levels of 153 food samples imported from Japan, which were of the "aquatic and related products, seaweeds and sea salt" category. No sample was found to have exceeded the safety limit. Details can be found on the CFS's thematic website titled "Control Measures on Foods Imported from Japan" (www.cfs.gov.hk/english/programme/programme_rafs/programme_rafs_fc_01_30_Nuclear_Event_and_Food_Safety.html).

In parallel, the Agriculture, Fisheries and Conservation Department (AFCD) has also tested 50 samples of local catch for radiological levels. All the samples passed the tests. Details can be found on the AFCD's website (www.afcd.gov.hk/english/fisheries/Radiological_testing/Radiological_Test.html).

The Hong Kong Observatory (HKO) has also enhanced the environmental monitoring of the local waters. No anomaly has been detected so far. For details, please refer to the HKO's website (www.hko.gov.hk/en/radiation/monitoring/seawater.html).

From August 24 to noon today, the CFS and the AFCD have conducted tests on the radiological levels of 14 274 samples of food imported from Japan (including 9 407 samples of aquatic and related products, seaweeds and sea salt) and 4 110 samples of local catch respectively. All the samples passed the tests.

LCQ12: Initial public offering

[settlement platform “FINI”]

Following is a question by the Hon Robert Lee and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (November 15):

Question:

The Hong Kong Exchanges and Clearing Limited will launch "FINI", a new digitised initial public offering (IPO) settlement platform, on the 22nd of this month. In this connection, will the Government inform this Council:

(1) as some members of the industry have relayed that the authorities have not formulated clear guidelines on FINI with respect to accounting issues of IPO share subscriptions and the calculation of liquid capital required under the Securities and Futures (Financial Resources) Rules, causing confusion among brokerage firms, how the authorities will co-ordinate with the regulators and the relevant accounting professional bodies to provide clear guidelines and advice to the industry;

(2) whether it knows if the regulators have assessed if the following situation will arise: the overwhelming response to individual IPO share subscriptions under the FINI mechanism has led to excessive financing, which in turn triggers a systematic financial risk; if they have, of the details; if not, the reasons for that; and

(3) whether it knows if the regulators will consider setting a minimum deposit ratio for investors in IPO financing and requiring brokerage firms to set aside additional provisions for IPO financing in order to prevent the occurrence of excessive IPO financing?

Reply:

President,

To continuously strengthen the competitiveness of Hong Kong's listing platform, the Government has been working with the Hong Kong Exchanges and Clearing Limited (HKEX) and financial regulators to enhance the depth, vibrancy and diversity of Hong Kong's securities market. Efforts have been made to increase trading and settlement efficiency in the primary market in line with the international trend of going paperless and digitalisation, thereby consolidating Hong Kong's position as a major international fundraising, risk management and trading hub.

Hong Kong's public offering market, developed over years, has gradually promoted a paperless operation, including introducing electronic subscription of initial public offerings (IPOs). To further enhance procedural efficiency, HKEX will soon launch the new digitalised IPO settlement platform, FINI (Fast Interface for New Issuance), to comprehensively modernise and simplify the

IPO settlement process. The new platform will facilitate different market participants, including sponsors, underwriters, legal advisors, banks, clearing participants, share registrars, regulators, etc. to deliver their respective duties simultaneously on a single electronic platform and optimise work co-ordination. The arrangement will shorten the lead time between pricing of an IPO and trading of shares from the current five business days (T+5) to two business days (T+2), significantly enhancing the efficiency of IPO settlement and reducing the associated market and operational risks. It will also strengthen the financial market infrastructure, and enhance the attractiveness of Hong Kong's listing platform to issuers and investors.

On the operational process of FINI, HKEX has completed multiple rounds of testing, market practice sessions and rehearsals with IPO market participants, and will provide ongoing support to them. The new platform will be officially launched on November 22. Relevant materials including the launch arrangements (Note 1); user guides for clearing participants (Note 2), banks (Note 3), sponsors, intermediaries and legal advisors (Note 4); application programming interface user guide (Note 5); transitional arrangements (Note 6); and frequently asked questions (Note 7) are uploaded to HKEX's dedicated webpage (Note 8).

In consultation with HKEX and the Securities and Futures Commission (SFC), my reply to the three parts of the question is as follows:

(1) The Securities and Futures (Financial Resources) Rules (FRR) prescribe the financial resources requirements applicable to licensed corporations. The main function is to ensure that licensed corporations have sufficient liquid assets to address the risks arising from their regulated activities.

Under the FRR, liquid capital is one kind of the financial resources that a licensed corporation is required to maintain, which can be quickly converted into cash to meet liabilities as they fall due. The FRR requires licensed corporations to maintain minimum liquid capital at a certain amount. The computation methods and accounting basis are specified in detail in the FRR and relevant guidelines published by the SFC.

As regards the computation of liquid capital for IPO subscription services, brokers are required to prepare their accounts in accordance with generally accepted accounting principles, and on this basis compute the liquid capital in accordance with the requirements under the FRR. The SFC has issued a circular on November 8 (Circular) (Note 9) to further explain the requirements to licensed corporations and also the computation basis for liquid capital.

The SFC has proactively communicated with the securities sector over the past few months, so as to understand brokers' work process as well as their capital and financial computation arrangements, etc. for IPO subscription services upon the launch of FINI, and to consult them on the Circular in draft. At the same time, the SFC has advised the Hong Kong Institute of Certified Public Accountants to provide guidelines to its members when needed, and brokers should also follow the relevant guidelines when preparing the accounts.

(2) and (3) To assist the market in managing the risks and costs of IPO settlement more effectively, the FINI platform will enhance the pre-funding mechanism for public offering by introducing a new pre-funding model. Under the enhanced mechanism, a clearing participant responsible for handling the subscription of new shares may opt to lock a maximum of cash balance (pre-funding) equivalent to the highest possible share allotment value in the nominee account of its designated bank before the ballot of new shares. The pre-funding can consist of all cash, or cash together with the funding drawn from the credit facilities committed by the bank.

After the ballot, the clearing participant's designated bank will only need to transfer funds corresponding to the value of the allotted shares to the issuer's receiving account for settlement. As compared to the existing arrangement (Note 10), the enhanced pre-funding mechanism will alleviate the situation of liquidity crunch resultant from over-subscription of large-scale IPOs, avoid unnecessary large-scale interbank fund transfers, and reduce potential counter-party and concentration exposures, thereby mitigating financial systemic risks.

In addition, a clearing participant will only need to hold on deposit an amount of funds corresponding to the maximum number of shares that it can be allotted, without locking the entire amount of funds for over-subscription. This model will lower the related funding costs and reduce the settlement default risk for clearing participants.

While FINI will adopt a new pre-funding model, clearing participants must still ensure that their clients have sufficient funds (cash or credit facilities) to settle the full subscription amount for public offerings as present. Based on the risk profiles of different clients, clearing participants can require clients to pre-fund their orders in full, or collect from clients a certain percentage of their subscription values as margin and provide them with credit to cover the rest, alongside appropriate collateral and lien arrangements for any shares that may be allotted to clients.

Given clearing participants' different financial conditions, the cost of seeking bank credit facilities varies and their clients' risk profiles also vary. Therefore, the pre-funding model under FINI will provide flexibility for clearing participants to, having regard to their business operations and risk management needs, set appropriate margin levels and adopt necessary measures to ensure that their clients have sufficient funds or credit to pay for the allotted shares. This can better suit industry needs than establishing a uniform ratio for all investors.

Separately, the SFC has pointed out in the Circular that brokers should implement effective risk management for their IPO subscription services, so as to guard against improper high-risk activities such as excessive financing. The Circular also outlines the requirements for risk management measures in respect of client risk control, brokers' capital arrangement and financial assessment. It reiterates that brokers must formulate a prudent credit policy for IPO financing, and set appropriate credit limits for clients taking into account the brokers' and clients' financial capability, the IPO subscription arrangements and the prevailing market conditions.

The SFC and HKEX will, upon implementation of FINI, continue to closely monitor the management of client funds and public offering lending activities by licensed corporations and registered institutions, assess relevant risks, and maintain financial market stability.

Notes:

1. Please refer to the following link for the presentation: www.hkex.com.hk/-/media/HKEX-Market/Services/Next-Generation-Post-Trade-Programme/Fini/FINI-Launch-Arrangements-Webinar-EN-(5-July-2023).pdf.

2. Please refer to the following link for the user guide: www.hkex.com.hk/-/media/HKEX-Market/Services/Next-Generation-Post-Trade-Programme/Fini/FINI-User-Guide-for-HKSCC-Participants.pdf.

3. Please refer to the following link for the user guide: www.hkex.com.hk/-/media/HKEX-Market/Services/Next-Generation-Post-Trade-Programme/Fini/FINI-User-Guide-FINI-Banks.pdf.

4. Please refer to the following link for the user guide: www.hkex.com.hk/-/media/HKEX-Market/Services/Next-Generation-Post-Trade-Programme/Fini/FINI-User-Guide-FINI-Sponsors-Intermediaries-and-Legal-Advisers.pdf.

5. Please refer to the following link for the user guide: www.hkex.com.hk/-/media/HKEX-Market/Services/Next-Generation-Post-Trade-Programme/Fini/FINI-API-User-Guide.pdf.

6. Please refer to the following link for the user guide: www.hkex.com.hk/-/media/HKEX-Market/Services/Next-Generation-Post-Trade-Programme/Fini/FINI-Transition-Arrangements-Guide.pdf.

7. Please refer to the following link for the frequently asked questions: www.hkex.com.hk/-/media/HKEX-Market/Services/Next-Generation-Post-Trade-Programme/Fini/FINI-Information-Pack-EN.pdf.

8. Please refer to the following link for the webpage: www.hkex.com.hk/Services/Platform-Services/FINI?sc_lang=en.

9. Please refer to the following link for the Circular: apps.sfc.hk/edistributionWeb/gateway/EN/circular/openFile?refNo=23EC54.

10. Under the existing arrangement, clearing participants and share registrars are required to transfer their clients' full subscription amount in cash to the issuer's receiving account before the ballot, and will receive a refund in respect of the subscriptions that do not receive a share allotment after the ballot.