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Replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2021-22

Director of Bureau : Secretary for Financial Services and the Treasury

Session No. : 4

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CONTROLLING OFFICER'S REPLY

FSTB(FS)001

(Question Serial No. 1382)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in Matters Requiring Special Attention in 2021-22 that the Branch will “promote the development of financial technologies in Hong Kong”. Please advise on the following:

- 1) What is the estimated manpower for undertaking the above work? Will the Branch work with other organisations for the promotion work? If yes, what are the organisations involved and the amount of provision to be earmarked?
- 2) What is the amount of provision earmarked for promoting financial technologies? How does the amount compare with the relevant expenditure amounts of our competitors such as Singapore?

Asked by: Hon CHAN Chun-ying (LegCo internal reference no.: 18)

Reply:

- 1) As an international financial centre, Hong Kong is an ideal place for Fintech business to grow. The Financial Services and the Treasury Bureau (FSTB) attaches great importance to the development of Fintech, and works closely with relevant government departments, financial regulators and the industry to advance the development of Fintech sector through a variety of measures. Major work include:
 - (i) Promoting *Hong Kong's advantages in Fintech* – The FSTB continues to provide funding support to the dedicated Fintech team in InvestHK (Fintech team) for promotion of Hong Kong's advantages in Fintech and attracting Fintech companies and talents from other places to come to Hong Kong. For instance, the annual flagship event, Hong Kong Fintech Week, was held virtually in November 2020 which attracted over 1.2 million viewers from over 130 economies, with over 18 000 business contacts made. Fintech companies operating in Hong Kong currently have reached over 600, including various

Fintech-related laboratories established by international organisations, academic institutions and private entities such as banks and commercial organisations. The revised estimate of the Fintech team in 2020-21 is \$36.96 million. We have earmarked funding to support the relevant work in 2021-22.

In addition, the Hong Kong Monetary Authority (HKMA) will collaborate with the Hong Kong Science and Technology Parks Corporation and Cyberport to attract more financial, technology or research institutes to set up laboratories in Hong Kong, with a focus on areas such as regulatory technology and cyber security, where Hong Kong enjoys clear advantages. The HKMA is formulating the related strategies with stakeholders for timely implementation;

- (ii) *Refining the regulatory regime to facilitate the sector's development* – The HKMA, the Securities and Futures Commission (SFC) and the Insurance Authority (IA) have established their Fintech regulatory sandbox to allow financial institutions and Fintech companies to test new Fintech products and solutions in a secured regulatory environment with well-defined parameters, as well as to gather data and users' feedbacks, thereby expediting the development process, lowering cost and enhancing product quality. Currently, 8 virtual banks, 4 virtual insurers and 1 virtual asset trading platform have been granted relevant licences and authorization to provide innovative financial services in Hong Kong. To foster the development of more novel financial products, the HKMA is considering enhancing its sandbox by providing "through-train" vetting and funding arrangements for those promising Fintech solutions to reduce the time for the launch of innovative financial products in the market.

Furthermore, the HKMA had set out a two-year plan to promote regulatory technology adoption by the banking sector. In its whitepaper published in November 2020 – *Transforming Risk Management and Compliance: Harnessing the Power of Regtech*, 16 recommendations have been put forth to drive banks in adopting technology to enhance and fulfill their risk management and compliance requirements, with a view to assisting banks to cope with the ever-changing operation mode and relevant regulatory measures;

- (iii) *Improving Fintech infrastructure* – The usage of the Faster Payment System (FPS) has been growing rapidly since its launch. We will continue to take forward our work in e-Government to provide convenience to the public, including broadening the application of the FPS for payments of government fees and charges so that e-payment options will be available for making payments in respect of most government bills and licences starting from mid-2022. In addition, we will proceed with legislation within the year to implement the uncertificated securities market regime and eMPF, an integrated digital platform, to improve efficiency, enhance user experience and lower administrative costs.

The HKMA will continue to promote the Open Application Programming Interface by the banking sector to facilitate development of new applications to aggregate information of different banks' products and services, so as to provide

more convenient service to customers such as product comparisons and consolidation of financial information, etc. On the implementation of trade finance platform eTradeConnect, the HKMA is conducting a study to connect it with the Mainland's Trade Finance Platform to allow banks in the two places to execute trade finance transactions. The HKMA will also develop the Commercial Data Interchange to enable commercial services operators, under the instruction and consent of their corporate customers, to submit customers' data to financial institutions through the data exchange platform so as to assist them in the application for services; and

- (iv) *Providing funding to nurture Fintech talent* – The FSTB launched the Fintech Proof-of-Concept Subsidy Scheme, which has been opened for application since February 2021, to encourage financial institutions to partner with Fintech companies to conduct proof-of-concept projects on innovative financial services products, and have earmarked \$10 million for the scheme. We entrusted Cyberport to implement the Financial Practitioners FinTech Training Programme last year. The training programme attracted the attendance of over 1 200 financial practitioners from the banking, insurance and securities sectors, which deepened their Fintech understanding, as well as promoted the adoption of Fintech in financial services. We will announce the details of another round of the training programme soon.

The FSTB carried out Fintech related work internally using existing resources.

- 2) We do not maintain information regarding expenditures on Fintech development in other jurisdictions for comparison.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)002

(Question Serial No. 1383)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (2) Subvention: Financial Services Development Council

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The work of the Financial Services Development Council includes conducting strategic studies, fostering market development and nurturing talent. Organising outreach programmes for students and practitioners is one of the initiatives under Matters Requiring Special Attention in 2021-22. Please advise on:

1. the details of the abovementioned outreach programmes and the estimated manpower involved; and
2. the funding set aside for these programmes and how it compares with the funding in the past 3 years.

Asked by: Hon CHAN Chun-ying (LegCo internal reference no.: 19)

Reply:

(1) and (2)

The Financial Services Development Council (FSDC) will continue its efforts in supporting talent development in the year ahead, and continue to broaden the breadth and depth of its human capital initiatives. In 2021-22, the FSDC plans to roll out a holistic talent development programme through collaboration with education institutions, industry bodies and industry leaders, including Career Day, Practitioner Speakers Series, an expanded job-shadowing programme and a pilot Fireside Chat programme to enhance the understanding of and interest in different sectors of the financial services industry among tertiary students and young practitioners who aspire to pursue a career in the industry, and provide them with career advice.

In 2021-22, more funding will be reserved for talent development to enhance the offerings of Career Day, expand the job-shadowing programme and organise the pilot Fireside Chat

programme. The FSDC would achieve the planned human capital development work with the existing manpower.

The FSDC's expenditure for talent development for 2021-22 is estimated at \$600,000. Meanwhile, the FSDC's expenditures on talent development from 2018-19 to 2020-21 are as follows:

	Expenditure (\$)
2018-19	125,000
2019-20	185,000
2020-21	320,000 (estimated)

Separately, commissioned by the Financial Services and the Treasury Bureau, the FSDC administers the Financial Industry Recruitment Scheme for Tomorrow (FIRST) with the aim of creating 1 500 full-time jobs in eligible financial services sectors including banking, securities, insurance, trustees of Mandatory Provident Fund Schemes and certified public accountant firms. The FSDC is planning to subsidise 200 additional new job positions for young university graduates graduated in 2019 to 2021 under FIRST, and will announce relevant details in due course.

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CONTROLLING OFFICER'S REPLY**FSTB(FS)003****(Question Serial No. 1384)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (700) General non-recurrent

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The provision for 2021-22 is 52.4% higher than the revised estimate for 2020-21, mainly due to the increased cash flow requirement for non-recurrent commitment items. It is stated in the Details of Expenditure by Subhead that the expenditure concerned is the estimate of the amount required for the salaries and expenses of the Financial Services Branch (FSB). However, the establishment of the FSB remains to be 114 posts. Please provide details of the estimated increase in the salaries and expenses.

Asked by: Hon CHAN Chun-ying (LegCo internal reference no.: 20)

Reply:

Under Programme (1), the estimated expenditure for 2021-22 is \$2,258 million, which is higher than the revised estimate for 2020-21 by about \$776 million. This is mainly due to the increase in cash flow requirement of the general non-recurrent items for 2021-22 by about \$756 million as compared with the 2020-21 revised estimate. Details are as follow –

(A) General Non-recurrent Items

		2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000	Changes in cash flow requirement \$'000
1	Funding for promoting and facilitating the development of the financial services sector	174,339	258,900	+84,561
	Purposes and reasons for change in cash flow requirement:			

		2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000	Changes in cash flow requirement \$'000
	<p>In 2020-21 and before, the item was mainly used for supporting the three-year Pilot Bond Grant Scheme to promote the bond market, supporting InvestHK's Fintech team to promote the development of Fintech, and promoting green finance through the Green Bond Grant Scheme, etc.</p> <p>Starting from 2021-22, this item will provide funding support to the following new schemes: (1) Pilot Insurance-linked Securities Grant Scheme; (2) Green and Sustainable Finance Grant Scheme; (3) Subsidy Scheme for Open-ended Fund Company; and (4) Subsidy Scheme for Real Estate Investment Trusts. The cash flow requirement of this item will therefore increase.</p>			
2	<p>Funding requirements for the eMPF Platform for the administration of Mandatory Provident Fund registered schemes</p> <p>Purposes and reasons for change in cash flow requirement:</p> <p>The item is to meet the costs for developing IT infrastructure and software applications and the operating costs of the eMPF Platform Company (as wholly-owned by the Mandatory Provident Fund Schemes Authority) in its initial start-up years in order to implement the eMPF Platform Project. The increase in the estimated provisions for 2021-22 is mainly for meeting the full-year operating costs of the eMPF Platform Company, as well as settling payments to the contractor for the development of the eMPF Platform which is entering into key development stage in 2021-22 in order to complete the</p>	795,842	1,762,649	+966,807

		2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000	Changes in cash flow requirement \$'000
	infrastructure work by end-2022 for gradual onboarding of MPF trustees and MPF schemes by phases from 2023.			
3	<p>Provision of funding to the Insurance Authority</p> <p>Purposes and reasons for change in cash flow requirement:</p> <p>This item aims to provide funding to the Insurance Authority (IA) to assist the IA to tide over its projected cash shortfall in the short to medium term and maintain an appropriate level of reserve. With this funding, the IA will have adequate resources to dedicate its efforts in promoting and facilitating the development of the insurance industry in Hong Kong.</p> <p>Since the total amount of funding has been provided to the IA in 2020-21, there will be no further cash flow requirement in 2021-22.</p>	300,000	0	-300,000
4	<p>Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector</p> <p>Purposes and reasons for change in cash flow requirement:</p> <p>The pilot programme in this item is implemented to enhance talent training for the insurance sector and the asset and wealth management sector, including public education, internship programme for tertiary graduates or undergraduate students, and financial incentives for professional training provided for industry practitioners.</p>	7,670	10,200	+2,530

		2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000	Changes in cash flow requirement \$'000
	The cash flow requirement for 2020-21 is less than the original estimate, mainly due to the impact of the COVID-19 epidemic on some planned activities under the pilot programme (e.g. deferral of training courses) since early 2020. Taking into account the epidemic situation, we have made suitable adjustments, including conducting activities via videoconferencing, to ensure smooth implementation of the various initiatives under the pilot programme in 2021-22. Therefore, the estimate for 2021-22 is higher than the revised estimate for 2020-21.			
5	<p>Consultancy study for establishing a Risk-based Capital (RBC) Regime</p> <p>Purposes and reasons for change in cash flow requirement:</p> <p>The item was used to pay for a consultancy study on a RBC Regime. To align with international standards and ensure financial stability, the Government, together with the IA, are preparing for the establishment of a RBC regime to replace the existing rule-based regime. The consultancy study aims to evaluate the proposed design of the new regime and its impact on the insurance industry.</p> <p>The fees for the consultancy study will be paid in 2021-22 and are reflected in the cash flow requirements of that year.</p>	0	2,588	+2,588
Sub-total (A) - general non-recurrent items (1) to (5) above:		1,277,851	2,034,337	+756,486 (about \$756 million)

Apart from the increase in cash flow requirement of the general non-recurrent items as set out above, the remaining portion of the increase (about \$19.7 million) is due to the increase in recurrent operational expenses. Details are as follows:

(B) Recurrent Operational Expenses

		2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000	Changes in provision \$'000
6	Recurrent Operational Expenses Increase in salary provision for vacancies expected to be filled in 2021-22 and the increase in departmental expenses (In 2021-22, the establishment of the Financial Services Branch will remain at 114 posts. It is however expected that some of the vacancies in 2020-21 will be filled in 2021-22.)	203,950	223,635	+19,685
Sub-total (B) - recurrent item (6) above:		203,950	223,635	+19,685 (about \$19.7 million)
Grand Total (A) and (B)		1,481,801	2,257,972	+776,171 (or +52.4%)

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CONTROLLING OFFICER'S REPLY**FSTB(FS)004****(Question Serial No. 1385)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (700) General non-recurrent

Programme: (-) Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The approved commitment regarding the general non-recurrent expenditure item of “funding for promoting and facilitating the development of the financial services sector” for 2018-19 was \$500 million. The funding for the increased commitment will be sought in the context of the 2021 Appropriation Bill. Please advise on:

- 1) the amount of the increased commitment and details;
- 2) how many years of expenditure expected to be met by the increased commitment.

Asked by: Hon CHAN Chun-ying (LegCo internal reference no.: 21)

Reply:

The original commitment for the item “Funding for promoting and facilitating the development of the financial services sector” is \$500 million. We are seeking to increase the commitment by \$520 million to \$1,020 million. The increased commitment will mainly be used for the following schemes:

	Schemes and their details	Estimated provision \$'000	Estimated duration
1	<p>Pilot Insurance-linked Securities (ILS) Grant Scheme</p> <p>To enhance the competitiveness of Hong Kong as a domicile for ILS, the Government proposes launching a two-year pilot scheme to provide subsidies to insurance enterprises or organisations issuing ILS in Hong Kong to cover 100% of their upfront costs (e.g. fees provided to legal advisors, risk modellers, auditors, etc.), subject to a cap of</p>	48,000	2 years

	Schemes and their details	Estimated provision \$'000	Estimated duration
	\$12 million or \$6 million per issuance depending on the maturity of the ILS.		
2	<p>Green and Sustainable Finance Grant Scheme</p> <p>We will consolidate the existing Pilot Bond Grant Scheme and Green Bond Grant Scheme into a Green and Sustainable Finance Grant Scheme to provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance (subject to a cap of \$2.5 million per issuance) and external review services (subject to a cap of \$800,000 per issuance).</p>	255,000	3 years
3	<p>Subsidy Scheme for Open-ended Fund Company (OFCs)</p> <p>We will provide subsidies to cover 70% of the expenses paid to local professional service providers for OFCs set up in or re-domiciled to Hong Kong in the coming 3 years, subject to a cap of \$1 million per OFC. Examples include service fees provided to lawyers, auditors, tax advisors, fund administrators, regulatory and compliance consultants, etc. for the purpose of setting up or re-locating an OFC. The Securities and Futures Commission (SFC) will be responsible for eligibility vetting under the scheme.</p>	150,000	3 years
4	<p>Subsidy Scheme for Real Estate Investment Trusts (REITs)</p> <p>Subsidies will be provided for qualifying REITs authorised by the SFC and listed in Hong Kong in the coming 3 years. The subsidy will cover 70% of the expenses paid to local professional service providers for the listing of REITs, subject to a cap of \$8 million per REIT. Examples include service fees provided to underwriters, listing agents, lawyers, auditors, tax advisors, property valuers, marketing and public communications agencies, financial printers, etc. for the purpose of listing a REIT. The SFC will be responsible for eligibility vetting under the scheme.</p>	120,000	3 years
	Total	573,000 (\$573 million)	---

With the uncommitted balance of the existing approved commitment, the increase in commitment being sought would be able to provide sufficient funding support for the above schemes during their respective project durations.

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CONTROLLING OFFICER'S REPLY

FSTB(FS)005

(Question Serial No. 1152)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stated by the Financial Secretary in the Budget Speech, the Financial Services and the Treasury Bureau, together with the Hong Kong Monetary Authority, the Securities and Futures Commission and the Insurance Authority, has set up a joint working group to explore how Hong Kong can complement the economic and financial development of our country and meet the needs of international investors, and examine how to further enhance Hong Kong's competitiveness as an international financial centre on the basis of our existing capacities. The working group will also set out the development blueprint and put forward concrete proposals and measures. In this connection, please inform this Committee of:

- a) the time the working group was set up and the number of meetings held so far;
- b) the specific work plan and work schedule of the working group;
- c) whether the working group will, after drawing up the recommendations, consult members of the relevant sectors; and
- d) the recommendations of the working group on how to help Hong Kong's insurance industry to integrate into the financial development of our country.

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 18)

Reply:

The Financial Services and the Treasury Bureau, together with the Hong Kong Monetary Authority, the Securities and Futures Commission and the Insurance Authority, set up a joint working group (the working group) in early 2021 to explore how to further enhance Hong Kong's competitiveness as an international financial centre building on its existing strengths. The working group has so far convened two meetings to exchange views on how Hong Kong can fully utilise its market advantages to integrate into the overall national

development plan and serve the country's overall strategy, as well as meeting the needs of international investors with a view to mapping out a development blueprint.

The "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035" (the 14th Five-Year Plan) acknowledges the significant functions and positioning of Hong Kong in the overall development of the country, which includes supporting Hong Kong to enhance its status as an international financial centre, strengthen its status as a global offshore RMB business hub, an international asset management centre and a risk management centre, as well as deepening and widening of mutual access between the financial markets of Hong Kong and the Mainland. Under the new development pattern of "dual circulation", the Government will, in accordance with the content of the 14th Five-Year Plan, make good use of Hong Kong's connectivity with the Mainland and international market and leverage the enormous opportunities presented by the Greater Bay Area development and the Belt and Road Initiative to contribute to the economic development and opening up of the country, as well as to open up a broader market for the financial sector.

The objective of the working group in the first phase is mainly to formulate the development strategy and direction that can complement and contribute to the nation's economic and financial development, while at the same time consolidate Hong Kong's status as the country's international financial centre, for engagement with relevant Central Authorities. The working group will consider the views of the trade in the future process of formulating recommendations on specific measures.

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CONTROLLING OFFICER'S REPLY

FSTB(FS)006

(Question Serial No. 1153)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Services and the Treasury Bureau indicated under this Programme that it would advance financial co-operation with the Mainland, including implementing initiatives in relation to the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) development in respect of the financial services sector. In this connection, would the Government please advise this Committee on:

- (a) the progress made in taking forward the proposal to set up after-sales service centres by the Hong Kong insurance industry in the GBA and the estimated timetable for implementation;
- (b) whether the Government will consider my earlier proposal to allow the Hong Kong insurance industry to play a part in formulating the operational details of the service centres?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 20)

Reply:

Together with the Insurance Authority (IA), we have been actively discussing the implementation details with the Mainland authorities to strive for early establishment of after-sales service centres by Hong Kong insurance industry in the Mainland cities of the Greater Bay Area, so that comprehensive support in different areas including enquiries, claims and renewal of policies can be provided to Hong Kong, Macao and Mainland residents who are holders of insurance policies issued in Hong Kong. The IA and the relevant insurance regulators had constructive discussion on this initiative at a quadripartite meeting involving insurance regulators of Guangdong, Hong Kong, Shenzhen and Macao held in January 2021. We hope to make concrete progress within this year.

The participation and preferences of the insurance industry are critical to the successful implementation of this initiative. In this connection, the IA, through the Hong Kong Federation of Insurers, has collected views from industry stakeholders on the operation arrangements of after-sales service centres, such that they can be duly considered when the details are formulated. We will continue to liaise closely with the insurance industry in taking forward this initiative.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)007

(Question Serial No. 1232)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned under this Programme that the Financial Services and the Treasury Bureau will advance financial co-operation with the Mainland, including promoting Hong Kong's efforts in implementing initiatives in relation to the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) development in respect of the financial services sector. In this connection, please inform this Committee of the progress of the proposal of the "unilateral recognition" policy which will be applied on motor insurance policies of Hong Kong private cars entering the GBA and the expected implementation timetable.

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 21)

Reply:

Together with the Insurance Authority (IA), we have been actively discussing the implementation details with the Mainland authorities to strive for the early implementation of the "unilateral recognition" policy for Hong Kong vehicles entering Guangdong through the Hong Kong-Zhuhai-Macao Bridge, so that the third-party insurance policies issued in Hong Kong can be deemed as equivalent to the mandatory traffic accident liability insurance in the Mainland.

The IA and the relevant insurance regulators had constructive discussion on this initiative at a quadripartite meeting involving insurance regulators of Guangdong, Hong Kong, Shenzhen and Macao held in January 2021. We hope to make concrete progress within this year.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)008

(Question Serial No. 1233)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stated by the Financial Services and the Treasury Bureau in the Programme, the Financial Services Branch will advance financial co-operation with the Mainland, including promoting the efforts in implementing initiatives in relation to the Guangdong-Hong Kong-Macao Greater Bay Area development in respect of the financial services sector. In fact, a number of proposals concerning the insurance industry of Hong Kong have been put forward in the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, including supporting insurance institutions in Guangdong, Hong Kong and Macao to jointly develop cross-boundary medical insurance products, promoting cross-boundary transactions of insurance products within the Greater Bay Area, and supporting Hong Kong and Macao insurance institutions to set up operations in Qianhai, Nansha and Hengqin. In this regard, please inform this Committee of the progress achieved so far and the anticipated and possible implementation date for these proposals.

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 22)

Reply:

The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) (Outline Development Plan) announces strengthening Hong Kong's status as a risk management centre and supporting the progressive promotion of mutual financial market access in the GBA. The Outline Plan also highlights a number of initiatives involving the Hong Kong insurance industry including:

- (i) to support insurance institutions in Guangdong, Hong Kong and Macao to jointly develop innovative cross-boundary motor vehicle and medical insurance products, and provide facilitation services for cross-boundary policy holders in areas such as underwriting, investigation and claims;
- (ii) subject to compliance with laws and regulations, to progressively promote cross-boundary transactions of insurance products within the GBA; and

- (iii) to support eligible Hong Kong insurance institutions in setting up operations in Qianhai, Nansha and Hengqin.

The Government, together with the Insurance Authority (IA), has been working with the Mainland authorities to promote implementation of the relevant measures, so as to complement the GBA development and facilitate the Hong Kong insurance industry to seize business opportunities.

Currently, we are actively discussing the implementation details with the Mainland authorities to strive for early establishment of after-sales service centres by Hong Kong insurance industry in the Mainland cities of the Greater Bay Area, so that comprehensive support in different areas including enquiries, claims and renewal of policies can be provided to Hong Kong, Macao and Mainland residents who are holders of insurance policies issued in Hong Kong. We are also striving for the early implementation of the “unilateral recognition” policy for Hong Kong vehicles entering Guangdong through the Hong Kong-Zhuhai-Macao Bridge, so that the third-party insurance policies issued in Hong Kong can be deemed as equivalent to the mandatory traffic accident liability insurance in the Mainland. The IA and the relevant insurance regulators had constructive discussion on these initiatives at a quadripartite meeting involving insurance regulators of Guangdong, Hong Kong, Macao and Shenzhen held in January 2021. We hope to make concrete progress within this year.

As regards the initiative to facilitate cross-boundary sale of Hong Kong insurance products, it involves complex issues such as the cross-boundary flow of capital and interface of regulatory regimes between Hong Kong and the Mainland, and would require further study among relevant parties. In anticipation of the upcoming launch of the cross-boundary wealth management connect scheme, we will take reference of the experience and, together with the IA, further explore with Mainland authorities the feasibility of facilitating cross-boundary sale of Hong Kong insurance products.

Furthermore, through the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), we have persisted in seeking the lowering of the threshold for Hong Kong insurance companies, Hong Kong insurance agency companies and Hong Kong insurance brokerage companies to access the Mainland market, so as to make it easier for them to set up operations and develop business in the Mainland (including Qianhai, Nansha and Hengqin). Relevant requirements and restrictions have been relaxed by virtue of the Agreement to amend the CEPA Agreement on Trade in Services that has taken effect from 1 June 2020.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)009

(Question Serial No. 1235)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stated by the Secretary for Financial Services and the Treasury in the Programme, the Government will promote the development of financial technologies (Fintech) in Hong Kong. In fact, due to the need to maintain social distance during the epidemic, the traditional face-to-face sales practices adopted by the insurance industry have been under great pressure, prompting the insurance industry to develop remote sales platforms that involve the extensive use of Fintech. In this connection, please advise this Committee of the following:

- a) How will the Government help the insurance industry to develop Fintech, such as by giving technical assistance and resources required?
- b) It will involve compliance and other legal issues if the insurance industry is to further develop the remote sales platforms. How will the Government help to resolve these issues?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 24)

Reply:

- a) The application of innovative technologies could help broaden financial inclusiveness, bring sustainable and stable development of the insurance industry while enhancing its overall competitiveness. The Insurance Authority (IA) launched two pilot initiatives in September 2017, namely Insurtech Sandbox (Sandbox) and Fast Track, with a view to enhancing the facilitation in this regard. As of February 2021, the IA approved a total of 19 Sandbox applications, 11 of which involved virtual onboarding under the COVID-19 pandemic. During the same period, the IA has authorized a total of four virtual insurers authorized under the Fast Track to carry on insurance business.

Furthermore, to enrich the Fintech talent pool and support employment, the Government launched the FinTech Anti-epidemic Scheme for Talent Development in July 2020, providing salary subsidy for 12 months to eligible companies, including

insurance companies, to create up to 1 000 full-time positions. The Government also entrusted Cyberport to implement the Financial Practitioners FinTech Training Programme in 2020 to provide Fintech-related training to in-service financial service practitioners, including those from the insurance sector, to deepen their understanding in Fintech, so as to promote the adoption of Fintech by insurers. Besides, the Government launched in February 2021 the Fintech Proof-of-Concept Subsidy Scheme to encourage financial institutions to partner with Fintech companies to conduct proof-of-concept projects on innovative financial services products. Each approved project will be provided a maximum grant of up to \$100,000 or \$150,000.

- b) The IA issued a circular to insurers in August 2020 setting out the regulatory requirements and necessary notes for Sandbox applications for virtual onboarding. The Hong Kong Federation of Insurers launched a shared-use virtual onboarding platform in September 2020 to facilitate the participation of small and medium insurers in this critical venture. The Insurtech Facilitation Team set up by the IA will continue to help insurers, technology companies and start-ups to gain better understanding of the prevailing regulatory regime.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)010

(Question Serial No. 1236)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government launched the tax deduction scheme for annuity premiums and Mandatory Provident Fund (MPF) voluntary contributions in 2019. In this regard, would the Government inform this Committee of:

- a) the effectiveness of the scheme, including the number of participants and the amount of tax deducted;
- b) the time at which the scheme will be comprehensively reviewed and enhanced?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 25)

Reply:

From the year of assessment 2019-20 onwards, taxpayers are entitled to tax deductions under salaries tax and personal assessment for their premiums paid to qualifying deferred annuities and contributions made to tax deductible MPF voluntary contributions accounts, subject to a maximum tax deductible limit of \$60,000 each assessment year per taxpayer. The objective is to encourage members of the public to save for their retirement.

From April 2019 to January 2021, members of the public bought around 166 000 deferred annuity policies (involving around \$11.8 billion of annualised premium) and opened around 45 000 tax deductible accounts (accumulating around \$2.9 billion contributions). For the year of assessment 2019-20, as at end-February 2021, deduction of around \$5.8 billion was allowed to around 110 000 taxpayers on their premiums paid to qualifying deferred annuities and deduction of around \$2.8 billion was allowed to around 100 000 taxpayers on their tax deductible MPF voluntary contributions.

The above information reflects that the prevailing tax deduction arrangements have provided incentive to encourage members of the public to save for their retirement. The Government will continue to monitor the situation and review the arrangement when necessary.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)011****(Question Serial No. 1237)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services, (2) Subvention: Financial Services Development Council

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As shown in the section concerning financial provision, the revised estimate for the Financial Services and the Treasury Bureau (FSTB) for 2020-21 is 29.9% higher than the original estimate, and the estimate for 2021-22 is 51.3% higher than the revised estimate for 2020-21. According to FSTB's explanation, this is due to the increased cash flow requirement for non-recurrent commitment items. In this regard, would the Government inform this Committee of the details of the items concerned and the amounts involved?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 26)

Reply:

The revised estimate for the Financial Services Branch for 2020-21 is 29.9% (about \$348 million) higher than the original estimate, and the estimate for 2021-22 is 51.3% (about \$776 million) higher than the revised estimate for 2020-21. This is mainly due to the increase in the cash flow requirement of the general non-recurrent items as set out below –

(A) General Non-recurrent Items

		2020-21 Original Estimate \$'000	2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000
1	Funding for promoting and facilitating the development of the financial services sector	160,289	174,339	258,900
	Purposes and reasons for change in		(increased by 14,050)	(increased by 84,561)

		2020-21 Original Estimate \$'000	2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000
	<p>cash flow requirement:</p> <p>In 2020-21 and before, the item was mainly used for supporting the three-year Pilot Bond Grant Scheme to promote the bond market, supporting InvestHK's Fintech team to promote the development of Fintech, and promoting green finance through the Green Bond Grant Scheme, etc. The slight increase between the 2020-21 original and revised estimate mainly reflects adjustment to the cash flow requirements of different schemes.</p> <p>Starting from 2021-22, this item will provide funding support to the following new schemes: (1) Pilot Insurance-linked Securities Grant Scheme; (2) Green and Sustainable Finance Grant Scheme; (3) Subsidy Scheme for Open-ended Fund Company; and (4) Subsidy Scheme for Real Estate Investment Trusts. The cash flow requirement of this item will therefore increase.</p>			
2	<p>Funding requirements for the eMPF Platform for the administration of Mandatory Provident Fund registered schemes</p> <p>Purposes and reasons for change in cash flow requirement:</p> <p>The item is to meet the costs for developing IT infrastructure and software applications and the operating costs of the eMPF Platform Company (as wholly-owned by the Mandatory Provident Fund Schemes Authority) in its initial start-up years in order to implement the eMPF Platform Project.</p>	414,788	795,842 (increased by 381,054)	1,762,649 (increased by 966,807)

		2020-21 Original Estimate \$'000	2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000
	<p>The original estimate in 2020-21 reflected the cash flow requirements as estimated in the initial preparatory stage of the Project. The revised estimate has incorporated the estimated cash flow requirements based on the latest work scope and progress of the Project, etc.</p> <p>The increase in the estimated provisions for 2021-22 is mainly for meeting the full-year operating costs of the eMPF Platform Company, as well as settling payments to the contractor for the development of the eMPF Platform which is entering into key development stage in 2021-22 in order to complete the infrastructure work by end-2022 for gradual onboarding of MPF trustees and MPF schemes by phases from 2023.</p>			
3	<p>Provision of funding to the Insurance Authority</p> <p>Purposes and reasons for change in cash flow requirement :</p> <p>This item aims to provide funding to the Insurance Authority (IA) to assist the IA to tide over its projected cash shortfall in the short to medium term and maintain an appropriate level of reserve. With this funding, the IA will have adequate resources to dedicate its efforts in promoting and facilitating the development of the insurance industry in Hong Kong.</p> <p>Since the total amount of funding has been provided to the IA in 2020-21, there will be no further cash flow requirement in 2021-22.</p>	300,000	300,000 (no change)	0 (decreased by 300,000)

		2020-21 Original Estimate \$'000	2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000
4	<p>Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector</p> <p>Purposes and reasons for change in cash flow requirement:</p> <p>The pilot programme in this item is implemented to enhance talent training for the insurance sector and the asset and wealth management sector, including public education, internship programme for tertiary graduates or undergraduate students, and financial incentives for professional training provided for industry practitioners.</p> <p>The cash flow requirement for 2020-21 is less than the original estimate, mainly due to the impact of the COVID-19 epidemic on some planned activities under the pilot programme (e.g. deferral of training courses) since early 2020. Taking into account the epidemic situation, we have made suitable adjustments, including conducting activities via videoconferencing, to ensure smooth implementation of the various initiatives under the pilot programme in 2021-22. Therefore, the estimate for 2021-22 is higher than the revised estimate for 2020-21.</p>	16,000	7,670 (decreased by 8,330)	10,200 (increased by 2,530)
5	<p>Consultancy study for establishing a Risk-based Capital (RBC) Regime</p> <p>Purposes and reasons for change in cash flow requirement:</p> <p>The item was used to pay for a consultancy study on a RBC Regime.</p>	0	0 (no change)	2,588 (increased by 2,588)

		2020-21 Original Estimate \$'000	2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000
	<p>To align with international standards and ensure financial stability, the Government, together with the IA, are preparing for the establishment of a RBC regime to replace the existing rule-based regime. The consultancy study aims to evaluate the proposed design of the new regime and its impact on the insurance industry.</p> <p>The fees for the consultancy study will be paid in 2021-22 and are reflected in the cash-flow requirements of that year.</p>			
	Sub-total (A) - general non-recurrent items (1) to (5) above:	891,077	1,277,851 (increased by 386,774)	2,034,337 (increased by 756,486)

Apart from the increase in cash flow requirement of the general non-recurrent items as set out above, the changes in provision between the 2020-21 original estimate and revised estimate, and between the 2020-21 revised estimate and the 2021-22 estimate are also attributable to variation of the recurrent operational expenses during the same periods. Details are as follows:

(B) Recurrent Operational Expenses (Programme (1) and Programme (2))

		2020-21 Original Estimate \$'000	2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000
6	<p>Recurrent Operational Expenses</p> <p>It is estimated that some vacancies that could not be filled in 2020-21 will be filled in 2021-22. The changes in the estimates mainly reflect the requirements on salary provision and partly on departmental expenses.</p>	274,338	235,750	255,635
	Sub-total (B) – recurrent operational expenses item (6) above:	274,338	235,750 (reduced by 38,588)	255,635 (increased by 19,885)

		2020-21 Original Estimate \$'000	2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000
	Grand Total (A) and (B)	1,165,415	1,513,601 (increased by 348,186) (about \$348 million or 29.9%)	2,289,972 (increased by 776,371) (about \$776 million or 51.3%)

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)012

(Question Serial No. 1253)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stated under this Programme, the Financial Services and the Treasury Bureau will oversee the implementation of the pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector. In this connection, will the Government inform this Committee of:

- a) the latest development and specific achievements of the pilot programme with regard to the insurance sector;
- b) whether the pilot programme has been affected by the epidemic and any training activities have been suspended as a result; and
- c) whether the Government will further consider establishing an academy of insurance if the pilot programme achieves remarkable results in nurturing talent for the insurance sector?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 15)

Reply:

The Government launched a three-year Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector (Pilot Programme) in August 2016. Considering the industry and stakeholders' overall positive response to the Pilot Programme, we have extended the Pilot Programme to 2022-23 and refined some operational details in light of implementation experience. The extension arrangement for the Pilot Programme was reported to the Legislative Council Panel on Financial Affairs in August 2019. We will review the Pilot Programme by 2022-23 and consider the way forward after taking into account relevant considerations including the effectiveness and feedbacks from stakeholders.

During the period from August 2016 to February 2021, the key outcomes of the insurance sector initiatives under the Pilot Programme are set out below:

Financial Incentive Scheme for Professional Training (FIS)	7 323 participants have taken part in 151 training courses.
Internship Programme for Undergraduate Students (SIP)	286 students have completed the internship.
Work-and-Learn Programme (WLP)	15 participants have completed or are participating in WLP. Due to lukewarm response for the WLP, we have ceased to recruit new participants for the Programme.
Public Education Programme	Enhanced understanding of the employment opportunities and career development in the industry by the public, particularly among the youth, parents and teachers, through various formats and media including thematic website, media interviews, MTR and tram advertisements, social media posts, video clips, school-based activities, etc. Relevant activities have been completed.

As the COVID-19 epidemic persisted, most of the FIS training courses which were originally scheduled to be conducted in or after January 2020 were deferred and conducted via online platform. While a small number of employers eventually withdrew from the 2020 SIP in consideration of the epidemic, the number of intern vacancies and that of the interns employed remained broadly on par with similar figures in the previous rounds of SIP.

The Financial Secretary announced the plan for an academy of finance to be set up by the Hong Kong Monetary Authority (HKMA) in the 2018-19 Budget. Under the collaboration of the HKMA, the Securities and Futures Commission, the Insurance Authority and the Mandatory Provident Fund Schemes Authority, the Hong Kong Academy of Finance (AoF) was established in June 2019. The mission of the AoF is to serve as a centre of excellence for developing financial leadership as well as a repository of knowledge in monetary and financial research, including applied research. The insurance sector is one of the key targets for AoF's leadership development programme. We will continue to explore and devise, in consultation with industry players and stakeholders, initiatives and programmes to promote and facilitate the development of talent for the financial services industry (including the insurance sector).

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)013

(Question Serial No. 1254)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned under this Programme that the Financial Services and the Treasury Bureau will prepare legislation for a Risk-based Capital Regime and Policy Holders' Protection Scheme concerning the insurance industry. In this connection, please inform this Committee of:

- a) the legislative and implementation timetable of the 2 pieces of legislation;
- b) whether the industry will be consulted on the detailed clauses of the bills prior to legislation?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 16)

Reply:

To benchmark with international standards and ensure financial stability, we are working with the Insurance Authority (IA) on the implementation of a Risk-based Capital (RBC) regime which will render the requirements imposed on insurers more sensitive to their asset and liability matching, risk appetite and mix of products. Having completed three rounds of quantitative impact studies in consultation with the industry, the IA plans to consult the industry on the relevant details this year. We plan to draw up the relevant draft bill in the 2021-22 legislative session.

In addition, we are preparing for the establishment of a Policy Holders' Protection Scheme (PPS) together with the IA, so as to provide affected policy holders with a safety net by offering compensation or securing the continuity of insurance contracts in case an insurer becomes insolvent. The IA is commissioning a consultancy study to update relevant parameters and review implications of the current business environment on the proposal. We will take into account findings of the consultancy study and views of the industry in

finalizing the relevant details. Our current plan is to draw up the relevant draft bill in the 2022-23 legislative session.

In taking forward the initiatives on RBC and PPS, we will continue to liaise closely with the insurance industry and other relevant stakeholders.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)014

(Question Serial No. 1255)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In his Budget Speech, the Financial Secretary mentioned the launch of a two-year Pilot Insurance-linked Securities Grant Scheme to attract insurance enterprises or organisations to issue insurance-linked securities in Hong Kong. In this connection, please inform this Committee of the details and implementation schedule of the pilot scheme.

Asked by: Hon CHAN Kin-por (Member Question No. 17)

Reply:

To enhance the competitiveness of Hong Kong as a domicile for insurance-linked securities (ILS), the Government proposes launching a two-year pilot scheme to provide subsidies to insurance enterprises or organisations issuing ILS in Hong Kong to cover their upfront costs (e.g. fees provided to legal advisors, risk modellers, auditors, etc.), subject to a cap of \$12 million or \$6 million per issuance depending on the maturity of the ILS. The main eligibility criteria of the pilot scheme include:

- (i) the ILS must be issued in Hong Kong;
- (ii) the issuance size is not less than \$250 million; and
- (iii) the issuer must engage Hong Kong service provider(s), and the relevant expenses shall not be less than 20% of the total upfront costs.

The Insurance Authority is responsible for administering the pilot scheme. It is preparing the relevant implementation details, and is working to announce the details by the second quarter of this year.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)015

(Question Serial No. 1256)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (2) Subvention: Financial Services Development Council

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under this Programme, the Financial Services and the Treasury Bureau indicated that the Financial Services Development Council (FSDC) would promote Hong Kong's financial services industry locally, in the Mainland and overseas through organising and participating in a wide range of marketing campaigns. Nevertheless, such marketing campaigns were inevitably brought to a standstill by the epidemic in the past year. Will the FSDC step up its marketing efforts to reinforce Hong Kong's status as an international financial centre if the epidemic is contained in the coming year and what kind of campaigns will be launched to help promote Hong Kong's insurance industry?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 19)

Reply:

While the epidemic has had an impact on the Financial Services Development Council (FSDC)'s physical promotional activities since early 2020, the FSDC's promotion efforts has not come to a halt. In the past year, the FSDC responded swiftly by making use of technology to overcome geographical barriers and continued to promote Hong Kong's advantages as an international financial centre in Hong Kong, the Mainland and overseas. The market promotion efforts of the FSDC have been strengthened rather than weakened.

In 2021-22, the FSDC will continue to maintain close ties with the industry and collaborate with relevant industry organisations and stakeholders to promote Hong Kong's financial services industry. Among the initiatives the FSDC plan to conduct and participate in 2021-22 are FSDC Industry Exchange Series of webinars, the Asian Financial Forum as well as Hong Kong FinTech Week which are flagship regional events organised by the Hong Kong Trade Development Council and InvestHK. The FSDC is also looking into the target audiences in various overseas markets and the major events they are interested in so as to identify worthy promotion opportunities. In addition, the FSDC would make

wider use of digital means and content to market Hong Kong as an international financial centre.

Concerning promotional efforts for the insurance sector, the FSDC co-organised a webinar in relation to the insurance industry last year in partnership with the Hong Kong Federation of Insurers. The FSDC has also participated in various initiatives organised by the Insurance Authority, industry bodies as well as the media. The FSDC will continue to consider suitable initiatives to promote Hong Kong's insurance sector.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)016

(Question Serial No. 2725)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please set out by year the names of participants of the Hong Kong Exchanges and Clearing Limited that have ceased operation voluntarily over the past 10 years, their years of ceasing operation and the licences of regulated activities involved.

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 112)

Reply:

According to the Stock Exchange of Hong Kong Limited (SEHK), its participants are required to be licensed by the Securities and Futures Commission for Type 1 (dealing in securities) regulated activity. In the past 10 years, the number of new SEHK participants commencing operation each year ranged from 10 to 70 whereas the number of participants ceasing operation voluntarily each year ranged from 4 to 38. Information relating to the SEHK participants that have ceased operation voluntarily in the past 10 years is at **Annex**.

Information on the Participants of the SEHK
Having Ceased Operation Voluntarily in the Past 10 Years

Year	Name of participants of the SEHK
2011	Polaris Capital (Asia) Ltd
2011	TIS Securities (HK) Ltd
2011	T & F Equities Ltd
2011	Knight Capital Asia Ltd
2011	Central Wealth Securities Investment Ltd
2012	AXT Limited
2012	Samsung Securities (Asia) Limited
2012	Goldtech Securities Limited
2012	Ambition Securities Co. Limited
2012	Renaissance Capital (Hong Kong) Limited
2012	Standard Securities Asia Limited
2012	Interchina Securities Limited
2012	Piper Jaffray Asia Securities Limited
2012	Midway International Securities Limited
2012	China Securities Holdings Limited
2013	Yu On Securities Company Limited
2013	United World Online Limited
2013	Starling Group Securities Limited
2013	GETCO Asia (Hong Kong) Limited
2013	A One Investment Company Limited
2013	Waterland Securities (HK) Company Limited
2013	3V Capital Limited
2013	Salisbury Securities Limited
2013	Rabo Brokerage HK Limited
2013	Residents Securities Limited
2013	King Fook Securities Company Limited
2013	Chinawide Securities Limited
2013	Liquid Capital Markets Hong Kong Limited
2013	OCBC Securities (Hong Kong) Limited
2013	RPS Investment Limited
2014	Shenyin Wanguo Online Broker (H.K.) Limited
2014	China Pacific Securities Limited
2014	Luen Hing Securities Limited
2014	Yee Fat Securities Company Limited
2014	Hou Tak Securities Limited
2014	ANZ Securities (HK) Limited
2014	IBTS Asia (HK) Limited
2014	Chekiang First Securities Co. Limited
2014	Essence International Financial Holdings Limited
2014	Kam Wah Securities Limited

Year	Name of participants of the SEHK
2014	Execution Noble (Hong Kong) Limited
2014	Soo Pei Shao & Company Limited
2015	Magusta Securities Limited
2015	Luen Sing Securities Limited
2015	Chuangs & Co. Limited
2015	China Point Stock Brokers Limited
2015	Oriental Wealth Securities Limited
2015	Daiwa Capital Markets Trading Hong Kong Limited
2016	T & F Equities Limited
2016	RBS Asia Limited
2016	Sanston Financial Group Limited
2016	Standard Chartered Securities (Hong Kong) Limited
2017	Wing On Cheong Securities Company Limited
2017	Everhot Securities Limited
2017	W. Falcon Asset Management (Asia) Limited
2017	SMBC Nikko Securities (Hong Kong) Limited
2018	Big Bay Securities (HK) Limited
2018	Ingensoma Trading Group Limited
2018	China Jianxin Financial Services Limited
2018	Beijing Securities Limited
2018	SP Securities Limited
2018	Pinetree Securities Limited
2018	Yunfeng Financial Markets Limited
2019	Golden Hill Investment Company Limited
2019	Winning Securities Company Limited
2019	LT Securities Limited
2019	STI Asset Management Limited
2019	Pico Zeman Securities (HK) Limited
2019	Commerz Securities Hong Kong Limited
2019	Formax Securities Limited
2019	Genting Securities Limited
2019	Penjing Asset Management (Asia) Limited
2019	Asia Wealth Securities Limited
2019	Bali Securities Co. Limited
2019	FT Securities Limited
2019	Tensant Securities Limited
2019	Aevitas Securities Limited
2019	Lau & Company Limited
2019	Marigold International Securities Limited
2019	Pacific International Securities Limited
2019	Ko Kun Stock Company Limited
2019	PFC International Company Limited
2019	Parchment Investment Limited

Year	Name of participants of the SEHK
2019	Times Securities Company Limited
2019	SP Global Access Limited
2020	Metro Capital Securities Limited
2020	Ping An of China Securities (Hong Kong) Company Limited
2020	M Securities Limited
2020	Galaxy Treasure Securities Group Limited
2020	Nine Rivers Capital Partners Limited
2020	Hoi Sang Securities Limited
2020	C.P. Securities International Limited
2020	Kam Luen Securities Limited
2020	Kilmorey Securities Limited
2020	F. R. Zimmern Limited
2020	Yonghe Securities (Hong Kong) Limited
2020	HK Noble Sky Treasure Securities Limited
2020	Quest Stockbrokers (HK) Limited
2020	Gold Fund Securities Company Limited
2020	Tang Ping Kong Limited
2020	China Hong Kong Capital Asset Management Company Limited
2020	Huapei Global Securities Limited
2020	Wing Fat Securities Limited
2020	MUFG Securities Asia Limited
2020	Fulixin Securities Limited
2020	Kwai Hung Securities Company Limited
2020	Truth Securities Limited
2020	Sun Growth Securities Limited
2020	Tibra Trading Hong Kong Limited
2020	Tung Shun Securities Limited
2020	Hong Kong Wan Kiu Investment Company Limited
2020	Rich Pleasure Securities Limited
2020	RHB Securities Hong Kong Limited
2020	Wah Thai Securities Limited
2020	Ko's Brother Securities Company Limited
2020	Lamtex Securities Limited
2020	Tokai Tokyo Securities (Asia) Limited
2020	China Times Securities Limited
2020	Sunny World Investment Limited
2020	Grand Cartel Securities Company Limited
2020	Chung Lee Securities Company Limited
2020	KVB Kunlun Asset Management (HK) Limited
2020	Corrington Securities & Investment Limited

Source: Stock Exchange of Hong Kong Limited
- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)017

(Question Serial No. 2727)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide the following figures regarding enterprises listed in Hong Kong as at the end of each of the years between 2010 and 2020:

1. the total number of listed companies and the numbers of newly listed companies, delisted companies and suspended companies;
2. the respective percentage shares of Chinese private enterprises, Chinese state-owned enterprises and Hong Kong enterprises in the total number of listed companies;
3. the total market capitalisation of all listed companies and the respective percentage shares of Chinese private enterprises, Chinese state-owned enterprises and Hong Kong enterprises in the total market capitalisation; and
4. the total turnover of all listed companies and the respective percentage shares of Chinese private enterprises, Chinese state-owned enterprises and Hong Kong enterprises in the total turnover.

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 114)

Reply:

According to the Hong Kong Exchanges and Clearing Limited (HKEX), the number of listed companies, delisted companies and suspended companies in each of the past 10 years are at **Annex A**. The respective percentage shares of Mainland enterprises and enterprises of other regions (including Hong Kong) in the total number of listed companies are at **Annex B**. The total market capitalisation of listed companies and the respective percentage shares of Mainland enterprises and enterprises of other regions (including Hong Kong) in the total market capitalisation are at **Annex C**. The total turnover of listed companies and the respective percentage shares of Mainland enterprises and enterprises of other regions (including Hong Kong) in the total turnover are at **Annex D**.

The Number of Listed, Delisted and Suspended Companies over the Past 10 Years

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of listed companies	1 496	1 547	1 643	1 752	1 866	1 973	2 118	2 315	2 449	2 538
Number of newly listed companies	101	64	110	122	138	126	174	218	183	154
Number of delisted companies #	6	11	6	6	10	13	16	11	29	57
Number of suspended companies (over 3 months)	50	53	47	45	58	56	56	82	83	81

Source: HKEX

Excluding those delisted from GEM and transferred to Main Board

Percentage Shares of Mainland Enterprises and Enterprises of Other Regions (including Hong Kong)
in the Total Number of Listed Companies over the Past 10 Years

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total number of listed companies	1 496	1 547	1 643	1 752	1 866	1 973	2 118	2 315	2 449	2 538
<i>Percentage Share of the number of Mainland Enterprises</i>										
Mainland enterprises	42%	46%	48%	51%	51%	51%	50%	50%	51%	52%
- Mainland private enterprises	24%	28%	30%	31%	31%	31%	30%	31%	32%	34%
- Mainland H shares enterprises	11%	11%	11%	12%	12%	12%	12%	12%	12%	11%
- Mainland Red Chip enterprises	7%	7%	7%	8%	8%	8%	8%	7%	7%	7%
<i>Percentage Share of the number of Enterprises of other regions (including Hong Kong)</i>										
Enterprises of other regions (including Hong Kong)	57%	53%	51%	50%	49%	49%	50%	50%	49%	48%
- Hong Kong enterprises	47%	47%	45%	44%	43%	43%	43%	43%	41%	40%
- Non-Hong Kong enterprises of other regions	10%	7%	6%	6%	6%	6%	7%	7%	8%	8%

Source: HKEX

Note 1: The figures on the percentage shares of the respective enterprises may not add up to the total due to rounding.

Note 2: Mainland Enterprises refer to the following –

- Mainland private enterprises are enterprises that are incorporated outside of the Mainland and are controlled by Mainland individuals;
- H-share enterprises are enterprises that are incorporated in the Mainland which are either controlled by Mainland Government entities or individuals; and
- Red chip enterprises are enterprises that are incorporated outside of the Mainland and are controlled by Mainland Government entities.

**Percentage Shares of Mainland Enterprises and Enterprises of Other Regions (including Hong Kong)
in the Total Market Capitalisation of Listed Companies over the Past 10 Years**

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total market capitalisation of listed companies (in HK \$ billion)	17,537.3	21,950.1	24,042.8	25,071.8	24,683.7	24,761.3	33,998.8	29,909.4	38,165.0	47,523.0
<i>Percentage Share of the market capitalisation of Mainland Enterprises</i>										
Mainland enterprises	55%	57%	56%	60%	62%	63%	66%	68%	73%	80%
- Mainland private enterprises	9%	13%	16%	16%	20%	22%	29%	30%	42%	57%
- Mainland H shares enterprises	23%	22%	20%	23%	21%	21%	20%	20%	17%	14%
- Mainland Red Chip enterprises	23%	22%	20%	21%	21%	20%	17%	18%	14%	9%
<i>Percentage Share of the market capitalisation of Enterprises of other regions (including Hong Kong)</i>										
Enterprises of other regions (including Hong Kong)	45%	43%	43%	40%	38%	37%	34%	32%	27%	20%
- Hong Kong enterprises	26%	33%	31%	31%	31%	29%	26%	25%	19%	13%
- Non-Hong Kong enterprises of other regions	19%	10%	12%	9%	7%	7%	8%	7%	8%	7%

Source: HKEX

Note 1: The figures on the percentage shares of the respective enterprises may not add up to the total due to rounding.

Note 2: Mainland Enterprises refer to the following –

- Mainland private enterprises are enterprises that are incorporated outside of the Mainland and are controlled by Mainland individuals;
- H-share enterprises are enterprises that are incorporated in the Mainland which are either controlled by Mainland Government entities or individuals; and
- Red chip enterprises are enterprises that are incorporated outside of the Mainland and are controlled by Mainland Government entities.

**Percentage Shares of Mainland Enterprises and Enterprises of Other Regions (including Hong Kong)
in the Total Turnover of Listed Companies over the Past 10 Years**

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total turnover of listed companies (in HK \$ billion)	12,069.0	9,529.1	11,221.9	12,636.8	17,482.2	11,173.1	16,202.5	19,461.0	15,597.9	25,614.8
<i>Percentage Share of the total turnover of Mainland Enterprises</i>										
Mainland enterprises	66%	70%	72%	71%	72%	71%	76%	79%	79%	84%
- Mainland private enterprises	13%	16%	19%	21%	19%	21%	30%	34%	36%	50%
- Mainland H shares enterprises	39%	39%	38%	35%	39%	36%	34%	34%	32%	24%
- Mainland Red Chip enterprises	14%	15%	15%	15%	14%	14%	12%	11%	11%	10%
<i>Percentage Share of the total turnover of Enterprises of other regions (including Hong Kong)</i>										
Enterprises of other regions (including Hong Kong)	34%	30%	28%	29%	27%	29%	24%	20%	21%	15%
- Hong Kong enterprises	22%	21%	20%	21%	22%	22%	17%	14%	14%	10%
- Non-Hong Kong enterprises of other regions	12%	9%	8%	8%	6%	7%	7%	7%	7%	5%

Source: HKEX

Note 1: The figures on the percentage shares of the respective enterprises may not add up to the total due to rounding.

Note 2: Mainland Enterprises refer to the following –

- Mainland private enterprises are enterprises that are incorporated outside of the Mainland and are controlled by Mainland individuals;
- H-share enterprises are enterprises that are incorporated in the Mainland which are either controlled by Mainland Government entities or individuals; and
- Red chip enterprises are enterprises that are incorporated outside of the Mainland and are controlled by Mainland Government entities.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)018

(Question Serial No. 2728)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please set out by year the names of enterprises delisted over the past 10 years, their stock codes, businesses engaged in, backgrounds (i.e. Chinese-funded companies, Hong Kong-funded companies or companies of other funding sources), final market capitalisation before delisting, and year of delisting.

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 115)

Reply:

According to the Hong Kong Exchanges and Clearing Limited (HKEX), information relating to enterprises delisted over the past 10 years (including enterprises delisted voluntarily) is as at the **Annex**.

Enterprises delisted from the Stock Exchange of Hong Kong in the past 10 years
(including enterprises delisted voluntarily)

Year	Name of delisted enterprises	Stock Code	Industry Sector	Background	Market capitalisation before delisting (in million dollars)
2011	Shanghai Forte Land Co., Ltd.	2337	Properties & Construction	Mainland Enterprise	3,673
2011	Fubon Bank (Hong Kong) Limited	636	Financials	Others	6,060
2011	Peace Mark (Holdings) Limited	304	Consumer Goods	Others	1,888
2011	Pan Sino International Holding Limited	502	Consumer Goods	Others	557
2011	China Resources Microelectronics Limited	597	Information Technology	Mainland Enterprise	4,175
2011	HannStar Board International Holdings Limited	667	Industrials	Others	1,619
2012	EganaGoldpfeil (Holdings) Limited	48	Consumer Goods	Others	966
2012	Little Sheep Group Limited	968	Consumer Services	Mainland Enterprise	6,715
2012	Zhengzhou China Resources Gas Co., Ltd.	3928	Utilities	Mainland Enterprise	907
2012	Hang Ten Group Holdings Limited	448	Consumer Goods	Others	2,632
2012	Schramm Holding AG	955	Materials	Others	1,537
2012	Cosway Corporation Limited	288	Consumer Services	Others	5,045
2012	International Mining Machinery Holdings Limited	1683	Industrials	Mainland Enterprise	11,026
2012	Samling Global Limited	3938	Materials	Others	3,221
2012	Alibaba.com Limited	1688	Information Technology	Mainland Enterprise	67,280
2012	3D-GOLD Jewellery Holdings Limited	870	Materials	Others	619
2012	ERA Mining Machinery Limited	8043	Industrials	Mainland Enterprise	4,949
2013	Mudan Automobile Shares Company Limited	8188	Industrials	Mainland Enterprise	31
2013	Zhejiang Glass Company, Limited	739	Industrials	Mainland Enterprise	955
2013	Trauson Holdings Company Limited	325	Consumer Goods	Mainland Enterprise	5,776
2013	Hontex International Holdings Company Limited	946	Consumer Goods	Mainland Enterprise	3,103
2013	PCD Stores (Group) Limited	331	Consumer Services	Mainland Enterprise	4,968
2013	Tungda Innovative Lighting Holdings Limited	8229	Consumer Goods	Others	196
2014	Magic Holdings International Limited	1633	Consumer Goods	Mainland Enterprise	6,518
2014	SBI Holdings, Inc.	6488	Financials	Others	17,665

Year	Name of delisted enterprises	Stock Code	Industry Sector	Background	Market capitalisation before delisting (in million dollars)
2014	Great Wall Technology Co. Ltd.	74	Information Technology	Mainland Enterprise	1,443
2014	CapitaMalls Asia Limited	6813	Properties & Construction	Others	57,215
2014	Regent Manner International Holdings Limited	1997	Industrials	Others	3,848
2014	OCBC Wing Hang Bank Limited	302	Financials	Others	37,561
2015	Pyxis Group Limited	516	Consumer Services	Others	408
2015	Hunan Nonferrous Metals Corporation Ltd.	2626	Materials	Mainland Enterprise	6,825
2015	China CNR Corporation Ltd.	6199	Industrials	Mainland Enterprise	33,840
2015	Hutchison Whampoa Limited	13	Conglomerates	Others	490,288
2015	econtext Asia Limited	1390	Information Technology	Others	2,111
2015	Melco Crown Entertainment Limited	6883	Consumer Services	Others	76,083
2015	Sing Pao Media Enterprises Limited	8010	Consumer Services	Others	30
2015	Sanmenxia Tianyuan Aluminum Co. Ltd.	8253	Materials	Mainland Enterprise	48
2015	Dorsett Hospitality International Limited	2266	Consumer Services	Others	3,235
2015	Jingwei Textile Machinery Co. Ltd.	350	Industrials	Mainland Enterprise	2,166
2016	Wumart Stores, Inc.	1025	Consumer Services	Mainland Enterprise	3,327
2016	China Metal Recycling (Holdings) Ltd.	773	Materials	Mainland Enterprise	11,094
2016	Dongpeng Holdings Co. Ltd.	3386	Properties & Construction	Mainland Enterprise	5,656
2016	Vale S.A.	6210	Materials	Others	7,064
2016	New World China Land Limited	917	Properties & Construction	Others	67,443
2016	Dalian Wanda Commercial Properties Co., Ltd.	3699	Properties & Construction	Mainland Enterprise	34,259
2016	AUPU Group Holding Company Limited	477	Consumer Goods	Mainland Enterprise	2,817
2016	TCL Communication Technology Holdings Ltd.	2618	Information Technology	Mainland Enterprise	9,554
2016	Nirvana Asia Ltd	1438	Consumer Services	Others	8,098
2016	Long Success International (Holdings) Limited	8017	Consumer Goods	Others	595
2016	Bracell Ltd.	1768	Materials	Mainland Enterprise	7,767
2016	Peak Sport Products Co., Limited	1968	Consumer Goods	Mainland Enterprise	6,188
2016	Anhui Tianda Oil Pipe Co. Ltd.	839	Energy	Mainland Enterprise	826
2017	Ruifeng Petroleum Chemical Holdings Limited	8096	Energy	Mainland Enterprise	138
2017	China Forestry Holdings Co., Ltd.	930	Materials	Mainland Enterprise	8,952

Year	Name of delisted enterprises	Stock Code	Industry Sector	Background	Market capitalisation before delisting (in million dollars)
2017	Chinalco Mining Corporation International	3668	Materials	Mainland Enterprise	16,309
2017	Intime Retail (Group) Company Limited	1833	Consumer Services	Mainland Enterprise	27,200
2017	AcrossAsia Limited	8061	Tele-communications	Others	355
2017	Jilin Qifeng Chemical Fiber Co., Ltd.	549	Materials	Mainland Enterprise	283
2017	Shandong Luoxin Pharmaceutical Group Stock Co., Ltd.	8058	Consumer Goods	Mainland Enterprise	2,791
2017	Belle International Holdings Limited	1880	Consumer Goods	Others	52,630
2017	Goldin Properties Holdings Limited	283	Properties & Construction	Others	31,801
2017	Yingde Gases Group Co. Ltd.	2168	Materials	Mainland Enterprise	11,362
2017	China Metal International Holdings Inc.	319	Consumer Goods	Others	2,992
2017	Dejin Resources Group Co. Ltd.	1163	Materials	Others	92
2017	Bloomage BioTechnology Corporation Ltd.	963	Consumer Goods	Mainland Enterprise	5,948
2017	China Assets (Holdings) Limited	170	Financials	Mainland Enterprise	725
2017	TCC International Holdings Limited	1136	Properties & Construction	Others	17,895
2017	Qunxing Paper Holdings Company Limited	3868	Materials	Mainland Enterprise	3,201
2018	Glencore plc	805	Materials	Others	553,084
2018	Welling Holding Ltd.	382	Industrials	Mainland Enterprise	5,871
2018	Tapestry, Inc.	6388	Consumer Goods	Others	9,190
2018	China National Materials Co. Ltd.	1893	Industrials	Mainland Enterprise	8,568
2018	KAZ Minerals PLC	847	Materials	Others	38,458
2018	Portico International Holdings Ltd.	589	Consumer Goods	Others	2,262
2018	Trony Solar Holdings Co. Ltd.	2468	Industrials	Mainland Enterprise	998
2018	Bel Global Resources Holdings Ltd.	761	Energy	Others	519
2018	Han Tang International Holdings Ltd.	1187	Industrials	Others	413
2018	Hong Kong Aircraft Engineering Company Limited	44	Consumer Services	Others	11,909
2018	Anxin-China Holdings Ltd.	1149	Information Technology	Mainland Enterprise	1,178
2019	Sinotrans Shipping Limited	368	Industrials	Mainland Enterprise	10,739
2019	Advanced Semiconductor Manufacturing Corporation Limited	3355	Information Technology	Mainland Enterprise	2,286
2019	China Fiber Optic Network System Group Limited	3777	Information Technology	Mainland Enterprise	1,501
2019	China Taifeng Beddings Holdings Limited	873	Consumer Goods	Mainland Enterprise	1,080

Year	Name of delisted enterprises	Stock Code	Industry Sector	Background	Market capitalisation before delisting (in million dollars)
2019	Zhongda International Holdings Limited	909	Consumer Goods	Mainland Enterprise	462
2019	Cloud Investment Holdings Limited	8129	Financials	Others	59
2019	Hopewell Holdings Limited	54	Conglomerates	Others	33,529
2019	Hanergy Thin Film Power Group Limited	566	Industrials	Others	164,790
2019	Asia Coal Limited	835	Energy	Others	538
2019	Heng Xin China Holdings Limited	8046	Consumer Services	Others	91
2019	China Hengshi Foundation Company Limited	1197	Industrials	Mainland Enterprise	2,480
2019	Rui Feng Group Holdings Company Limited	8312	Consumer Goods	Others	170
2019	China Nonferrous Metals Company Limited	8306	Materials	Mainland Enterprise	352
2019	China Power Clean Energy Development Company Limited	735	Utilities	Mainland Enterprise	6,432
2019	Shenji Group Kunming Machine Tool Company Limited	300	Industrials	Mainland Enterprise	351
2019	Zhejiang Prospect Company Limited	8273	Consumer Goods	Mainland Enterprise	27
2019	Asia Satellite Telecommunications Holdings Limited	1135	Tele-communications	Mainland Enterprise	4,045
2019	Pacific Andes International Holdings Limited	1174	Consumer Goods	Others	1,034
2019	Changgang Dunxin Enterprise Company Limited	2229	Materials	Mainland Enterprise	608
2019	C.P. Lotus Corporation	121	Consumer Staples	Others	1,021
2019	China Automation Group Limited	569	Information Technology	Mainland Enterprise	1,530
2019	TPV Technology Limited	903	Information Technology	Mainland Enterprise	9,007
2019	National Agricultural Holdings Limited	1236	Information Technology	Mainland Enterprise	2,527
2019	Fuguiniao Co., Ltd.	1819	Consumer Discretionary	Mainland Enterprise	4,715
2019	Shenzhou Space Park Group Limited	692	Consumer Discretionary	Others	4,414
2019	China Huishan Dairy Holdings Company Limited	6863	Consumer Staples	Mainland Enterprise	5,660
2019	Yorkshine Holdings limited	1048	Materials	Others	565
2019	Hsin Chong Group Holdings Limited	404	Properties & Construction	Others	1,997
2019	China Candy Holdings Limited	8182	Consumer Staples	Mainland Enterprise	182
2020	Dah Chong Hong Holdings Limited	1828	Consumer Discretionary	Others	6,960
2020	Mingyuan Medicare Development Company Limited	233	Healthcare	Others	1,008
2020	China Animal Healthcare Ltd.	940	Healthcare	Mainland Enterprise	10,223
2020	Ding He Mining Holdings Limited	705	Materials	Others	212

Year	Name of delisted enterprises	Stock Code	Industry Sector	Background	Market capitalisation before delisting (in million dollars)
2020	Midas Holdings Limited	1021	Materials	Others	5,699
2020	Nickel Resources International Holdings Company Limited	2889	Materials	Mainland Enterprise	754
2020	Huaneng Renewables Corporation Limited	958	Utilities	Mainland Enterprise	33,285
2020	Tech Pro Technology Development Limited	3823	Industrials	Mainland Enterprise	544
2020	Springland International Holdings Limited	1700	Consumer Discretionary	Mainland Enterprise	4,492
2020	China Agri-Industries Holdings Limited	606	Consumer Staples	Mainland Enterprise	22,358
2020	China First Chemical Holdings Limited	2121	Materials	Mainland Enterprise	634
2020	Hosa International Limited	2200	Consumer Discretionary	Mainland Enterprise	484
2020	Real Gold Mining Limited	246	Materials	Mainland Enterprise	8,006
2020	AVIC International Holdings Limited	161	Industrials	Mainland Enterprise	10,449
2020	Joyce Boutique Group Ltd.	647	Consumer Discretionary	Others	447
2020	Li & Fung Limited	494	Consumer Discretionary	Others	10,588
2020	Superb Summit International Group Limited	1228	Energy	Mainland Enterprise	11,958
2020	BBi Life Sciences Corporation	1035	Healthcare	Mainland Enterprise	1,956
2020	Tianhe Chemicals Group Limited	1619	Materials	Mainland Enterprise	29,019
2020	Greens Holdings Ltd	1318	Industrials	Others	784
2020	Wheelock And Company Limited	20	Properties & Construction	Others	125,840
2020	Peace Map Holding Limited	402	Information Technology	Others	245
2020	China Baofeng (International) Limited	3966	Utilities	Others	1,713
2020	Elec & Eltek International Company Limited	1151	Industrials	Others	3,308
2020	Huadian Fuxin Energy Corporation Limited	816	Utilities	Mainland Enterprise	20,936
2020	Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited	6139	Consumer Discretionary	Mainland Enterprise	9,560
2020	CW Group Holdings Limited	1322	Industrials	Others	166
2020	Brightoil Petroleum (Holdings) Limited	933	Energy	Others	15,263
2020	O-Net Technologies (Group) Limited	877	Information Technology	Mainland Enterprise	5,396
2020	Easy One Financial Group Limited	221	Properties & Construction	Others	378
2020	Golden Meditech Holdings Limited	801	Healthcare	Mainland Enterprise	2,538
2020	Vantage International (Holdings) Limited	15	Properties & Construction	Others	1,498

Year	Name of delisted enterprises	Stock Code	Industry Sector	Background	Market capitalisation before delisting (in million dollars)
2020	Capxon International Electronic Company Limited	469	Industrials	Others	498
2020	Boshiwa International Holding Limited	1698	Consumer Discretionary	Others	3,486
2020	Huarong Investment Stock Corporation Limited	2277	Properties & Construction	Mainland Enterprise	772
2020	Tenwow International Holdings Limited	1219	Consumer Staples	Mainland Enterprise	838
2020	Xinghua Port Holdings Ltd.	1990	Industrials	Others	2,093
2020	Allied Properties (H.K.) Limited	56	Financials	Others	13,011
2020	DBA Telecommunication (Asia) Holdings Limited	3335	Information Technology	Mainland Enterprise	2,113
2020	Centron Telecom International Holding Ltd.	1155	Information Technology	Mainland Enterprise	244
2020	Changshouhua Food Company Limited	1006	Consumer Staples	Mainland Enterprise	2,397
2020	Haitian Energy International Limited	1659	Utilities	Mainland Enterprise	1,233
2020	Wuzhou International Holdings Limited	1369	Properties & Construction	Mainland Enterprise	200
2020	SMI Holdings Group Limited	198	Consumer Discretionary	Others	6,342
2020	Hua Han Health Industry Holdings Limited	587	Healthcare	Mainland Enterprise	3,814
2020	Haier Electronics Group Co., Ltd.	1169	Consumer Discretionary	Mainland Enterprise	103,243
2020	Leyou Technologies Holdings Limited	1089	Information Technology	Mainland Enterprise	10,212
2020	Powerleader Science & Technology Group Limited	8236	Information Technology	Mainland Enterprise	943
2020	Combest Holdings Limited	8190	Financials	Mainland Enterprise	92
2020	Netel Technology (Holdings) Limited	8256	Information Technology	Others	53
2020	Chong Sing Holdings FinTech Group Limited	8207	Financials	Mainland Enterprise	278
2020	China Yu Tian Holdings Limited	8230	Information Technology	Mainland Enterprise	227
2020	Hong Kong Life Sciences and Technologies Group Limited	8085	Industrials	Others	57
2020	Kingsley Edugroup Limited	8105	Consumer Discretionary	Others	424
2020	Celebrate International Holdings Limited	8212	Financials	Mainland Enterprise	32
2020	Dahe Media Co., Ltd.	8243	Consumer Discretionary	Mainland Enterprise	87
2020	Baytacare Pharmaceutical Co., Ltd.	8197	Information Technology	Mainland Enterprise	101

Source: HKEX

Note 1: The industry sectors are based on the Hang Seng Industry Classification System. The two sectors of “Consumer Goods” and “Consumer Services” have been reorganised into three new sectors, namely “Consumer Staples”, “Consumer Discretionary” and “Healthcare Industries” with effect from 9 September 2019. Companies delisted since that date are categorised in the above table based on the new Hang Seng Industry Classification System.

Note 2: Mainland Enterprises include the following –

- Mainland private enterprises (i.e. enterprises that are incorporated outside of the Mainland and are controlled by Mainland individuals);
- H-share enterprises (i.e. enterprises that are incorporated in the Mainland which are either controlled by Mainland Government entities or individuals); and
- Red chip enterprises (i.e. enterprises that are incorporated outside of the Mainland and are controlled by Mainland Government entities).

Note 3: Information does not include companies that are seeking review of the delisting decisions.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)019

(Question Serial No. 2729)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please list the amounts of funds raised through initial public offerings (IPO) and post-IPO funds raised in each of the years from 2011 to 2020, broken down by background of the listed companies in Hong Kong (i.e. Hong Kong companies, China-affiliated companies and others).

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 116)

Reply:

According to the Hong Kong Exchanges and Clearing Limited, the figures relating to the funds raised through Initial Public Offerings (IPO) and post-IPO by the listed companies in Hong Kong in each of the years from 2011 to 2020 are at **Annex**.

Amount of funds raised through IPO and post-IPO by listed companies in Hong Kong from 2011 to 2020

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Mainland enterprises										
IPO funds raised (billion dollars)	95.3	81.4	154.3	199.8	242.8	182.9	98.5	274.1	257.3	395.5
Post-IPO funds raised (billion dollars)	130.9	134.2	157.9	500.6	415.3	165.5	268.2	195.3	101.9	259.6
Others (including Hong Kong)										
IPO funds raised (billion dollars)	164.5	8.6	14.7	32.7	20.3	12.4	30.0	13.9	56.9	4.7
Post-IPO funds raised (billion dollars)	99.7	81.1	52.0	209.6	437.3	129.3	184.7	60.8	38.1	87.2
Total										
IPO funds raised (billion dollars)	259.8	90.0	169.0	232.5	263.1	195.3	128.5	288.0	314.2	400.1
Post-IPO funds raised (billion dollars)	230.6	215.3	209.9	710.2	852.6	294.7	452.9	256.1	140.0	346.8

Source: Hong Kong Exchanges and Clearing Limited

Note: The figures on the amount of IPO and post-IPO funds raised may not add up to the total due to rounding.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)020****(Question Serial No. 2730)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

What is the number of cases where eligible enterprises have set up corporate treasury centres in Hong Kong and enjoyed tax concessions each year since the amendment to the Inland Revenue Ordinance in June 2016? Please set out the enterprises which have enjoyed tax concessions and the tax concession amounts concerned.

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 117)

Reply:

To attract foreign corporates to centralise their treasury functions in Hong Kong, the Government amended the Inland Revenue Ordinance in June 2016 to reduce the profits tax rate by 50% for qualifying corporate treasury centres (CTCs) as tax concession. The number of qualifying CTCs and the total amount of profits qualifying for the tax concession for each of the financial years since the amendment of the Ordinance are as follows:

Financial Year	Number of qualifying CTCs	Total amount of profits qualifying for the tax concession (\$ million)
2017-18	6	671
2018-19	7	1,714
2019-20	12	2,233
2020-21	11	2,971

Due to the secrecy provision under the Inland Revenue Ordinance, information of individual qualifying CTC, including its name and amount of profits qualifying for the tax concession, cannot be disclosed.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)021****(Question Serial No. 2731)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. In respect of the enterprises listed in Hong Kong as at end March 2021, please tabulate by sector (i) their number, (ii) their market capitalisation, (iii) the percentage share of Chinese enterprises in terms of number and (iv) the percentage share of Chinese enterprises in terms of market capitalisation.

	Total number of listed enterprises	Total market capitalisation	Percentage share of Chinese enterprises in terms of number	Percentage share of Chinese enterprises in terms of market capitalisation
Sector				
Total				

2. Please provide by sector (i) the number of listed enterprises (including Chinese and non-Chinese enterprises) and (ii) their market capitalisation in each of the past 5 years.

	2016 (i),(ii)	2017 (i),(ii)	2018 (i),(ii)	2019 (i),(ii)	2020 (i),(ii)
Sector					
Total					

Asked by: Hon CHAN Pierre (LegCo internal reference no.: 118)

Reply:

According to the Hong Kong Exchanges and Clearing Limited (HKEX), there were 2 549 companies listed in Hong Kong as at end-February 2021. The number and market capitalisation of these enterprises by sector, as well as the percentage share of Mainland enterprises, are at **Annex A**. The figures relating to enterprises listed in Hong Kong by sector over the past 5 years are at **Annex B**.

**Number and Market Capitalisation of Enterprises Listed in Hong Kong and
Percentage Share of Mainland Enterprises (as at end-February 2021)**

Industry Sector	Total Number of Enterprises	Share of Mainland Enterprises ⁽¹⁾	Total Market Capitalisation (million dollars) ⁽²⁾	Share of Mainland Enterprises ⁽¹⁾
Energy	79	63%	847,502	98%
Materials	140	64%	640,764	89%
Industrials	298	58%	1,938,002	92%
Consumer Staples	124	56%	2,103,722	68%
Consumer Discretionary	656	41%	6,687,048	68%
Healthcare	171	67%	4,047,300	85%
Telecommunications	15	47%	1,491,544	91%
Utilities	79	80%	1,642,245	57%
Financials	235	52%	8,486,914	59%
Properties & Construction	506	46%	5,698,963	68%
Information Technology	224	55%	18,680,537	98%
Conglomerates	22	55%	677,009	46%
Total	2,549	52%	52,941,550	80%

Source: HKEX

Notes:

- (1) Mainland Enterprises include the following –
- Mainland private enterprises (i.e. enterprises that are incorporated outside of the Mainland and are controlled by Mainland individuals);
 - H-share enterprises (i.e. enterprises that are incorporated in the Mainland which are either controlled by Mainland Government entities or individuals); and
 - Red chip enterprises (i.e. enterprises that are incorporated outside of the Mainland and are controlled by Mainland Government entities).
- (2) The figures on market capitalisation by sector may not add up to the total due to rounding.

Number and Market Capitalisation of Enterprises Newly-Listed in Hong Kong by Year (2016 to 2020)

Industry Sector ⁽¹⁾	2016		2017		2018		2019		2020	
	Number	Market Capitalisation (million dollars) ⁽²⁾	Number	Market Capitalisation (million dollars) ⁽²⁾	Number	Market Capitalisation (million dollars) ⁽²⁾	Number	Market Capitalisation (million dollars) ⁽²⁾	Number	Market Capitalisation (million dollars) ⁽²⁾
Energy	1	4,093	3	1,312	5	30,806	2	2,468	2	2,358
Materials	3	4,641	2	1,784	6	11,009	4	11,880	4	1,501
Industrials	16	10,619	22	14,794	23	12,015	22	21,626	16	207,019
Consumer Goods ⁽¹⁾	21	109,370	30	98,414	46	154,576	N.A.	N.A.	N.A.	N.A.
Consumer Services ⁽¹⁾	24	77,845	33	72,558	39	228,965	N.A.	N.A.	N.A.	N.A.
Consumer Staples ⁽¹⁾	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	7	447,582	4	278,068
Consumer Discretionary ⁽¹⁾	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	57	223,709	36	1,253,292
Healthcare ⁽¹⁾	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	18	267,256	23	841,219
Telecommunications	-	-	1	1,292	1	69,063	-	-	-	-
Utilities	2	10,030	4	17,367	6	6,849	4	19,466	1	388
Financials	15	164,332	17	136,686	16	43,815	12	94,670	6	39,042
Properties & Construction	29	105,473	48	193,078	50	143,295	40	101,466	48	408,641
Information Technology	14	42,962	14	155,674	26	591,354	17	4,477,235	14	1,869,837
Conglomerates	1	610	-	-	-	-	-	-	-	-
Total	126	529,974	174	692,960	218	1,291,746	183	5,667,358	154	4,901,367

Source: HKEX

Notes:

- (1) The industry sectors are based on the Hang Seng Industry Classification System. The two sectors of “Consumer Goods” and “Consumer Services” have been reorganised into three new sectors, namely “Consumer Discretionary”, “Consumer Staples” and “Healthcare industries” with effect from 9 September 2019.
- (2) The figures on market capitalisation are the year-end figures of the listed companies in the year of their new listing. The figures on market capitalisation by sector may not add up to the total due to rounding.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)022

(Question Serial No. 2953)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. Regarding the Special 100% Loan Guarantee for Individuals Scheme, if the unemployed applicant finds a new job shortly after obtaining the loan, will the Government still offer full reimbursement for the interest paid 5 years later? Has the Government considered the possibility that such an arrangement could lead to unfairness as public money might have been used to financially assist people who are not in need?
2. Has the Government made an assessment on the highest possible default rate in respect of the aforementioned loan scheme? What measures are in place to deal with or prevent cases of "borrower default"?

Asked by: Hon CHEUNG Kwok-kwan (LegCo internal reference no.: 22)

Reply:

The Financial Secretary announced in the 2021-22 Budget the proposal to introduce a time-limited 100% Personal Loan Guarantee Scheme (PLGS). The PLGS seeks to provide a supplementary financing option to help unemployed persons affected by the Coronavirus Disease 2019 tide over the interim difficulty.

Hong Kong permanent residents aged 18 or above may apply for loans under the PLGS provided they have been unemployed for at least two months at the time of loan application and can demonstrate cessation of main recurrent incomes from employment in Hong Kong. Self-employed individuals (only for those who currently do not have any loans or credit facilities guaranteed under the SME Financing Guarantee Scheme), free-lancers, gig or casual workers are also eligible upon the production of a declaration of unemployment and demonstration of a loss of main recurrent incomes. As the PLGS aims to assist unemployed persons with genuine need, loan applicants also need to provide proofs of their previous employment and main recurrent incomes for at least three months during the period from January 2020 to the scheme's announcement in February 2021. The maximum repayment period is six years counting from the drawdown of the loan. A

borrower will receive a full rebate of the interest payment after the loan and interest are fully repaid by the end of the repayment period despite any interim delinquencies.

Unlike commercial loans, there is no requirement under the PLGS for assessing the repayment ability of loan applicants, including no requirement for satisfying any minimum credit rating or for having no outstanding default. Loan applicants are required to maintain valid bank accounts and must not be subject to any bankruptcy petition or proceedings. Considering that no credit assessment would be carried out under the scheme and the fact that loan applicants are unemployed, 25% is used as the assumed default rate for estimation purpose. Where a borrower defaults on repayment, the participating lending institution (PLI) as a servicer of the loan will initiate recovery actions having regard to its own policy and usual commercial practice. PLIs will also report the repayment history of borrowers under the PLGS to relevant credit reference agencies.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)023

(Question Serial No. 0805)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the proposal to raise the rate of Stamp Duty on Stock Transfers (SDST) by 0.03%, please inform this Committee:

1. whether the Government has assessed the impact on the daily turnover of Hong Kong's securities market if the SDST rate is raised to 0.13%; if yes, of the details of the assessment; if not, of the reasons for not carrying out such an assessment before making the adjustment;
2. whether the Government has at the same time assessed the impact on the transaction in the securities market if the SDST rate is adjusted to different levels; if yes, of the details of the assessment.

Asked by: Hon CHEUNG Wah-fung, Christopher (LegCo internal reference no.: 21)

Reply:

1. The Government has proposed in the Budget that the rate of Stamp Duty on Stock Transfers should be revised in order to increase government revenue while maintaining the growth of the financial market and our competitiveness.

The proposed rate of increase has struck a balance between increasing government revenue and the need to sustain our financial market development, in order to maintain Hong Kong's status as an international financial centre. In coming to the above decision, apart from the impact on transaction cost and the trade, the Government has also taken into account (i) the growth momentum of the stock market as driven by the closer interaction and collaboration between the capital markets in Hong Kong and the Mainland; (ii) the enormous opportunities presented to Hong Kong in connecting global capital flows with the rapidly-expanding real economy in the Mainland; (iii) the strengths of our capital market and the increasing number of quality companies coming to Hong Kong due to the continuous listing reforms; (iv) the development momentum propelled by the return of China Concept Stock companies to Hong Kong

for listing; (v) the quantitative easing policy adopted around the world, the sustained low interest rate environment and the continuous capital inflows which have stimulated market turnover; and (vi) the fundamental strengths established by the Hong Kong financial market over the years.

With the continuous development of the securities market in Hong Kong, the number of listed companies has increased by 80%, from 1 413 in 2010 to 2 538 in 2020. Also, the total market capitalisation has grown to \$48 trillion in 2020, up 129% from \$21 trillion in 2010. With the launch of various Stock Connect schemes, coupled with the numerous quality listed companies coming to our market under the new listing regimes, the average daily turnover of the securities market in Hong Kong has surged from \$69 billion in 2010 to \$130 billion in 2020.

Having considered the above factors, the Government's assessment is that the upward adjustment of the rate of Stamp Duty on Stock Transfers from the existing 0.1% to 0.13% (i.e. for every transaction of \$100,000, the increase in stamp duty is \$30 each side) will not compromise the attractiveness and competitiveness of the securities market. If the average daily turnover is maintained at the level of around \$130 billion as recorded over the past year, the full-year additional government revenue that would be brought is \$12 billion. The Government introduced the relevant Bill into Legislative Council on 17 March and proposed the revision to take effect on 1 August.

2. The objective of raising Stamp Duty on Stock Transfers is to increase government revenue. Stamp Duty on Stock Transfers is only one of the many factors that would affect market turnover. When exploring the different options of increasing government revenue, apart from considering different rates of Stamp Duty on Stock Transfers, the Government has also paid regard to other factors, including impact on financial market development and the trade. Having considered different options, the Government is of the view that the increase of the rate of Stamp Duty on Stock Transfers from the existing 0.1% to 0.13% has struck a right balance between increasing government revenue and market development, and will not compromise the attractiveness and competitiveness of our securities market.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)024

(Question Serial No. 0806)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Budget that “having duly considered the impact on the securities market and our international competitiveness, we have decided to introduce a bill to raise the rate of Stamp Duty on Stock Transfers, from the current 0.1 per cent to 0.13 per cent of the consideration or value of each transaction payable by buyers and sellers respectively.”

In this connection, please advise this Committee on the following:

1. What will be the impact on the securities market and our international competitiveness? Please list in detail all the factors being considered and the impact of the adjustment on these factors.
2. Is the impact on the business of small and medium-sized brokerage firms among one of the factors being considered by the Government? If yes, what is the impact? If no, please give a full account of the reasons for not considering the impact on small and medium-sized brokerage firms.

Asked by: Hon CHEUNG Wah-fung, Christopher (LegCo internal reference no.: 22)

Reply:

The Government has proposed in the Budget that the rate of Stamp Duty on Stock Transfers should be revised in order to increase government revenue while maintaining the growth of the financial market and our competitiveness.

The proposed rate of increase has struck a balance between increasing government revenue and the need to sustain our financial market development, in order to maintain Hong Kong's status as an international financial centre. In coming to the above decision, apart from the impact on transaction cost and the trade, the Government has also taken into account (i) the growth momentum of the stock market as driven by the closer interaction and collaboration between the capital markets in Hong Kong and the Mainland; (ii) the enormous opportunities presented to Hong Kong in connecting global capital flows with the rapidly-expanding real economy in the Mainland; (iii) the strengths of our capital market

and the increasing number of quality companies coming to Hong Kong due to the continuous listing reforms; (iv) the development momentum propelled by the return of China Concept Stock companies to Hong Kong for listing; (v) the quantitative easing policy adopted around the world, the sustained low interest rate environment and the continuous capital inflows which have stimulated market turnover; and (vi) the fundamental strengths established by the Hong Kong financial market over the years.

With the continuous development of the securities market in Hong Kong, the number of listed companies has increased by 80%, from 1 413 in 2010 to 2 538 in 2020. Also, the total market capitalisation has grown to \$48 trillion in 2020, up 129% from \$21 trillion in 2010. With the launch of various Stock Connect schemes, coupled with the numerous quality listed companies coming to our market under the new listing regimes, the average daily turnover of the securities market in Hong Kong has surged from \$69 billion in 2010 to \$130 billion in 2020.

Having considered the above factors, the Government's assessment is that the upward adjustment of the rate of Stamp Duty on Stock Transfers from the existing 0.1% to 0.13% (i.e. for every transaction of \$100,000, the increase in stamp duty is \$30 each side) will not compromise the attractiveness and competitiveness of the securities market. If the average daily turnover is maintained at the level of around \$130 billion as recorded over the past year, the full-year additional government revenue that would be brought is \$12 billion. The Government introduced the relevant Bill into Legislative Council on 17 March and proposed the revision to take effect on 1 August.

The competitiveness of each stock market would hinge on various factors, including the depth and breadth of market liquidity, freedom and efficiency of capital inflows and outflows, quality of listed companies in that market, legal system, regulatory standards, etc. Transaction cost is only one of the many factors. The transaction cost structure of stock markets around the world varies. Unlike some markets which charge dividend tax and capital gain tax, Hong Kong does not charge such taxes. As mentioned above, we are committed to pursuing policy reform that would help consolidate our fundamental strengths, enhance market quality and expand mutual market access so that Hong Kong can serve as a robust platform for connecting the Mainland and international markets. The Financial Secretary has announced in the Budget that the Government will continue to spare no efforts in introducing measures to facilitate the development of the securities market, so as to take our financial services sector to the next level. These measures will help enhance the competitiveness of the Hong Kong stock market.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)025****(Question Serial No. 0807)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in the Budget that the Government “will provide subsidies to cover 70 per cent of the expenses paid to local professional service providers for Open-ended Fund Companies (OFCs) set up in or re-domiciled to Hong Kong in the coming 3 years, subject to a cap of \$1 million per OFC.” In this regard, would the Government inform this Committee:

1. of the annual average number of OFCs set up in Hong Kong in the past 3 years; of their smallest, largest and average asset sizes;
2. of the approximate average expenses paid by such fund companies to local professional service providers in the first year after setting up in Hong Kong;
3. whether the Government has quantified the approximate number of additional local jobs that can be provided by each OFC set up in Hong Kong; if yes, of the positions concerned and their average salaries?

Asked by: Hon CHEUNG Wah-fung, Christopher (LegCo internal reference no.: 24)

Reply:

1. 11 open-ended fund companies (OFCs) have been set up in Hong Kong as at 4 March 2021. The number of OFCs set up by year is as follows:

As at 4 March 2021	3
For the year ended 31 December 2020	6
For the year ended 31 December 2019	2

Out of the 11 OFCs, 5 of them are public OFCs which include 6 exchange-traded funds set up as sub-funds of these OFCs and listed on the Stock Exchange of Hong Kong. The total asset under management (AUM) of each launched public OFC ranged from around HK\$111 million to HK\$12 billion as at 4 March 2021 with average AUM of around HK\$3.2 billion.

2. Taking reference from existing public OFCs on the market, the set-up costs range from a million to several millions dollars. The set-up costs of private OFCs typically range from \$300,000 to \$800,000.
3. The subsidy scheme aims to attract more OFCs to set foot in Hong Kong and enhance Hong Kong's advantage as an Asian fund hub. Given that various types of OFCs can be set up (e.g. equity fund, bond fund, ETF, family office, etc.), we believe the subsidy scheme will help increase the demand for local professional service providers such as lawyers, accountants, fund administrators and corporate service providers and hence create more job opportunities. As the size of each OFC being set up varies, the Government is unable to provide an estimate of the number of job positions created.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)026

(Question Serial No. 0808)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary mentioned in the Budget Speech that he will lead a steering group comprising members from the Financial Services and the Treasury Bureau, the Hong Kong Monetary Authority, the Securities and Futures Commission, the Insurance Authority and the Hong Kong Exchanges and Clearing Limited (HKEX), to formulate a roadmap for promoting the diversified development of Hong Kong's bond market and reinforcing its functions. Would the Government inform this Committee of the details of the group, including the strategic objectives of the group in the short, medium and long terms, the number of meetings to be convened every year, and whether there are plans to discuss the securitisation of bonds with a view to enabling more investors to trade different kinds of bonds through the HKEX's trading platform?

Asked by: Hon CHEUNG Wah-fung, Christopher (LegCo internal reference no.: 26)

Reply:

The Financial Secretary announced in the 2021-2022 Budget the setting up of a steering group to further promote the development of the bond market in Hong Kong. The steering group will be chaired by the Financial Secretary, comprising representatives from the Financial Services and the Treasury Bureau, the Hong Kong Monetary Authority, the Securities and Futures Commission, the Insurance Authority and the Hong Kong Exchanges and Clearing Limited as members.

The steering group will meet regularly to review the strategic direction of bond market development in Hong Kong, including how best to strengthen market infrastructure, stimulate bond issuances in Hong Kong by public and private sector entities, and promote Hong Kong's bond market to foreign investors, with a view to formulating a road map for promoting the long term and sustainable development of the bond market. To encourage

more investors to participate in the bond market, the securitization of bonds will be among the issues to be explored. The Financial Secretary also announced in the 2021-2022 Budget the Government's plan to issue retail green bonds to facilitate the participation of the general public in the development of green finance.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)027

(Question Serial No. 0922)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Budget Speech that “with international investors’ increased participation in the A-share market through Stock Connect, there is a growing demand for using A-shares index futures to hedge market risk. The HKEX will accelerate the preparatory work for the launch of MSCI China A-Index Futures contract”. In this connection, please inform this Committee of whether the Government knows the reasons why approval from the regulatory authorities has not yet been obtained even though the relevant agreement was signed between the HKEX and the index provider concerned in March 2019. If the answer is in the affirmative, please provide the reasons in detail. In the course of liaising the Mainland regulatory authorities, did the Government lend any support to the HKEX?

Asked by: Hon CHEUNG Wah-fung, Christopher (LegCo internal reference no.: 28)

Reply:

In respect of the proposed Mainland A-share index futures contract to be launched in Hong Kong, the regulators in Hong Kong and the Mainland as well as the Hong Kong Exchanges and Clearing Limited (HKEX) need to look into the product specifications and the corresponding regulatory standards carefully to ensure that the product can provide appropriate safeguards to investors, and is launched in a risk-controlled manner, while being competitive.

The Government, the Securities and Futures Commission (SFC) and HKEX have been actively liaising with the relevant Mainland authorities. At present, the SFC and the China Securities Regulatory Commission have entered into a Memorandum of Understanding on Supervisory and Enforcement Cooperation on Matters concerning Futures, which provides the basis for the enforcement cooperation and information exchange on the two futures markets. HKEX will accelerate the preparatory work for the launch of A-share index

futures contracts with a view to obtaining approval from the regulators to launch the product in Hong Kong as soon as possible.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)028****(Question Serial No. 0943)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Budget Speech that subsidies will be provided for qualifying real estate investment trusts (REITs) authorised by the Securities and Futures Commission and listed in Hong Kong in the coming 3 years to encourage the listing of more REITs in Hong Kong. The subsidy will cover 70% of the expenses paid to local professional service providers for the listing of REITs, subject to a cap of \$8 million per REIT. In this connection, please inform this Committee of the following:

1. Please provide in tabular form the year-end market values and average daily turnover of the REITs listed in Hong Kong in the past 3 years.
2. Why the subsidy scheme will run for only 3 years? What is the estimated amount of subsidies in each of the next 3 years?
3. How can REITs be eligible for the scheme? Please provide the eligibility criteria in detail.

Asked by: Hon CHEUNG Wah-fung, Christopher (LegCo internal reference no.: 27)

Reply:

1. The year-end market values and average daily turnover of real estate investment trusts (REITs) currently listed and traded on the Stock Exchange of Hong Kong for the previous three years are as follows:

Year-end market values

	Market values (in HK\$M)¹		
	31 December 2020	31 December 2019	31 December 2018
Link Real Estate Investment Trust (823)	146,980	172,105	167,481

	Market values (in HK\$M)¹		
	31 December 2020	31 December 2019	31 December 2018
Champion Real Estate Investment Trust (2778)	26,755	30,245	31,340
Fortune Real Estate Investment Trust (778)	14,446	17,612	17,300
Hui Xian Real Estate Investment Trust (87001)	12,932	21,575	20,994
Yuexiu Real Estate Investment Trust (405)	12,224	16,536	15,258
Sunlight Real Estate Investment Trust (435)	6,284	8,348	8,269
Regal Real Estate Investment Trust (1881)	4,463	6,580	7,264
Spring Real Estate Investment Trust (1426)	3,944	4,140	4,402
Prosperity Real Estate Investment Trust (808)	3,688	4,583	4,458
China Merchants Commercial Real Estate Investment Trust (1503)	2,763	3,756	N/A ²
New Century Real Estate Investment Trust (1275)	1,393	1,554	1,655

¹ Data source: Bloomberg

² The China Merchants Commercial Real Estate Investment Trust was listed on the Stock Exchange of Hong Kong on 10 December 2019.

Average daily turnover

	Average daily turnover (in HK\$M)³		
	31 December 2020	31 December 2019	31 December 2018
Link Real Estate Investment Trust (823)	520.53	496.74	367.83
Champion Real Estate Investment Trust (2778)	17.77	29.41	20.05
Fortune Real Estate Investment Trust (778)	27.53	31.16	19.22
Hui Xian Real Estate Investment Trust (87001)	10.49	11.14	13.28
Yuexiu Real Estate Investment Trust (405)	14.31	20.06	22.00
Sunlight Real Estate Investment Trust (435)	5.48	6.55	4.03
Regal Real Estate Investment Trust (1881)	1.02	2.54	1.73
Spring Real Estate Investment Trust (1426)	1.24	2.05	4.54
Prosperity Real Estate Investment	3.55	5.87	4.47

	Average daily turnover (in HK\$M)³		
	31 December 2020	31 December 2019	31 December 2018
Trust (808)			
China Merchants Commercial Real Estate Investment Trust (1503)	2.74	48.84	N/A ⁴
New Century Real Estate Investment Trust (1275)	0.03	0.05	0.08

³ Data source: Bloomberg

⁴ The China Merchants Commercial Real Estate Investment Trust was listed on the Stock Exchange of Hong Kong on 10 December 2019.

2. We believe that the duration of the subsidy scheme for REIT of three years would provide momentum for the REIT market in Hong Kong. We would review the way forward of the scheme in the light of its effectiveness in due course. The grant amount for the scheme would be about \$ 40 million per year, and the total amount of the three-year period would be around \$ 120 million.
3. A REIT authorised by the Securities and Futures Commission (SFC) and listed in Hong Kong in the coming three years with market cap of at least HK\$ 1.5 billion (or its equivalent) at the time of listing would be qualified for application under the subsidy scheme. A REIT which has been awarded a grant is required to remain listed and traded for at least two years from the listing date. The subsidy will cover 70 % of the expenses paid to local professional service providers for the listing of REITs, subject to a cap of \$8 million per REIT. The SFC is preparing the relevant implementation details (including the eligibility of qualified REITs), and will strive to announce the details by the second quarter of this year.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)029****(Question Serial No. 0944)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (000) Operational expenses

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the Financial Services and the Treasury Bureau (Financial Services Branch), the provision for 2021-22 is \$776 million or 52.4% higher than the revised estimate for 2020-21. This is mainly due to the increased cash flow requirement for non-recurrent commitment items. Would the Government please inform this Committee of:

1. the details of the various non-recurrent commitment items and the amounts committed, as well as the dates of commencement and the estimated total commitment in respect of these items;
2. whether there are any specific performance indicators for these items; if yes, what are the details, and if no, the reasons; and
3. whether any progress was made in respect of these items in the past 3 years; if yes, what are the details, and if no, the reasons?

Asked by: Hon CHEUNG Wah-fung, Christopher (LegCo internal reference no.: 29)

Reply:

Under Programme (1), the estimated expenditure for 2021-22 is \$776 million (52.4%) higher than the revised estimate for 2020-21. This is mainly due to the increased cash flow requirement for non-recurrent commitment items by about \$756 million in 2021-22. Details of these items are set out below.

(A) General Non-recurrent Items

		2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000	Changes in cash flow require-ment \$'000
1	Funding for promoting and facilitating the	174,339	258,900	+84,561

		2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000	Changes in cash flow require-ment \$'000
	<p>development of the financial services sector (commitment: \$1,020 million - note 1)</p> <p>In 2020-21 and before, the item was mainly used for supporting the three-year Pilot Bond Grant Scheme to promote the bond market, supporting InvestHK's Fintech team to promote the development of Fintech, and promoting green finance through the Green Bond Grant Scheme, etc.</p> <p>Starting from 2021-22, this item will provide funding support to the following new schemes: (1) Pilot Insurance-linked Securities Grant Scheme; (2) Green and Sustainable Finance Grant Scheme; (3) Subsidy Scheme for Open-ended Fund Company; and (4) Subsidy Scheme for Real Estate Investment Trusts.</p> <p>Further details of the above existing and new initiatives are set out at Annex.</p>			
2	<p>Funding requirements for the eMPF Platform for the administration of Mandatory Provident Fund registered schemes (commitment: \$4,939 million - note 2)</p> <p>The eMPF Platform will standardize, streamline and automate Mandatory Provident Fund (MPF) scheme administration processes, thereby creating room for fee reduction for the benefits of scheme members through enhanced operational efficiency. Our latest projection is that the total cumulative quantifiable cost savings to scheme members would possibly be in a range of \$30 billion to \$40 billion in 10 years after operation of the Platform.</p> <p>In the past 3 years, we have accomplished the following –</p> <p>(1) formulated the common standards and technical specifications for the scheme administration functions to be performed by the eMPF Platform in collaboration with the</p>	795,842	1,762,649	+966,807

		2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000	Changes in cash flow require-ment \$'000
	<p>industry in 2019;</p> <p>(2) engaged in discussions with the industry on the fee-setting mechanism of the eMPF Platform, transitional arrangement, etc;</p> <p>(3) secured the approval of the Legislative Council for the first-stage legislative amendments to the Mandatory Provident Fund Schemes Ordinance in July 2020 to empower the Mandatory Provident Fund Schemes Authority (MPFA) to set up a wholly owned subsidiary company to take charge of the eMPF Platform Project;</p> <p>(4) completed the tender exercise and awarded the contract to develop, operate and maintain the eMPF Platform in January 2021; and</p> <p>(5) established MPFA's wholly-owned subsidiary, namely the eMPF Platform Company, in March 2021.</p>			
3	<p>Provision of funding to Insurance Authority (commitment: \$300 million)</p> <p>This item aims to provide funding to the Insurance Authority (IA) to assist the IA to tide over its projected cash shortfall in the short to medium term and maintain an appropriate level of reserve. With this funding, the IA will have adequate resources to dedicate its efforts in promoting and facilitating the development of the insurance industry in Hong Kong.</p> <p>Since the total amount of funding has been provided to the IA in 2020-21, there will be no further cash flow requirement in 2021-22.</p>	300,000	0	-300,000
4	<p>Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector (commitment: \$100 million)</p> <p>The Government launched this three-year Pilot Programme in August 2016. Considering the industry's and stakeholders' overall positive response to the Pilot Programme, we have</p>	7,670	10,200	+2,530

		2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000	Changes in cash flow require-ment \$'000
	<p>extended the Pilot Programme to 2022-23 and refined some operational details in light of the implementation experience. The extension arrangement for the Pilot Programme was reported to the Legislative Council Panel on Financial Affairs in August 2019.</p> <p>During the period of August 2016 to February 2021, the key outcomes of various initiatives under the Pilot Programme are set out below:</p> <p><u>Insurance Sector:</u></p> <p>(1) 7 323 participants have taken part in 151 training courses in the Financial Incentive Scheme for Professional Training; and</p> <p>(2) 286 students have completed the Internship Programme for Undergraduate Students.</p> <p><u>Asset and Wealth Management Sector</u></p> <p>(1) 2 225 applications for course fee reimbursement have been approved under the Financial Incentive Scheme for Professional Training; and</p> <p>(2) 257 students have completed the Internship Programme for Undergraduate Students.</p> <p>The Pilot Programme also enhanced understanding of the employment opportunities and career development of the industries particularly among the youth through various channels, including career fairs, online social media campaigns and campus career seminars.</p>			
5	<p>Consultancy study for establishing a Risk-based Capital (RBC) Regime (commitment: \$10 million)</p> <p>To align with international standards and ensure financial stability, the Government, together with the IA, are preparing to establish a RBC regime to replace the existing rule-based regime. The consultancy study aims to evaluate the proposed design for the new regime and its impact on the insurance industry. The fees for the consultancy</p>	0	2,588	+2,588

		2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000	Changes in cash flow require-ment \$'000
	study amount to \$2.588 million and will be paid in 2021-22.			
Sub-total (A) - general non-recurrent items (1) to (5) above:		1,277,851	2,034,337	+756,486 (about \$756 million)

Apart from the increase in cash flow requirement of the general non-recurrent items as set out above, the remaining portion of the increase (\$19.7 million) is due to the increase in recurrent operational expenses. Details are as follows:

(B) Recurrent Operational Expenses

		2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000	Changes in provision \$'000
6	Recurrent Operational Expenses Increase in salary provision for vacancies expected to be filled in 2021-22 and the increase in departmental expenses (In 2021-22, the establishment of the Financial Services Branch will remain at 114 posts. It is however expected that some of the vacancies in 2020-21 will be filled in 2021-22.)	203,950	223,635	+19,685
Sub-total (B) - recurrent item (6) above:		203,950	223,635	+19,685 (about \$19.7 million)
Grand Total (A) and (B)		1,481,801	2,257,972	+776,171 (or +52.4%)

Note 1: The original commitment for this item, as approved in 2018-19, was \$500 million. We are seeking to increase its commitment to \$1,020 million in the context of the Appropriation Bill 2021.

Note 2: The original commitment for this item, as approved in 2019-20 and 2020-21, was \$3,904 million. We are seeking to increase its commitment to \$4,939 million in the context of the Appropriation Bill 2021.

**Funding schemes and other initiatives supported by non-recurrent commitment item
“Funding for promoting and facilitating the
development of the financial services sector”**

Funding Schemes

Pilot Bond Grant Scheme

This 3-year scheme was launched in May 2018 to cover expenses of eligible enterprises issuing bonds in Hong Kong for the first time. Since its inception, many entities have been attracted to issue bonds in Hong Kong for the first time, which helped promote the development of Hong Kong’s bond market. As at end 2020, 75 applications have been approved with a total bond issuance size of US\$26.3 billion.

Green Bond Grant Scheme

This scheme was launched in June 2018 to subsidise eligible green bond issuers in obtaining certification under the Green Finance Certification Scheme administered by the Hong Kong Quality Assurance Agency with a view to attracting more green bond issuances and promoting market development in Hong Kong. By end-February 2021, 40 applications have been approved involving a total issuance size of about US\$12.8 billion.

Green and Sustainable Finance Grant Scheme

The Pilot Bond Grant Scheme and the Green Bond Grant Scheme will expire by mid-2021 and will be consolidated into a Green and Sustainable Finance Grant Scheme to provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services. The scheme will last for three years and the estimated provision is \$255 million.

Fintech Proof-of-Concept Subsidy Scheme (PoC Scheme)

The PoC Scheme aims to encourage financial institutions to partner with Fintech companies to conduct PoC projects on innovative financial services products, and is open for application from 26 February 2021. Each approved PoC project will be provided with a maximum direct grant of up to \$100,000 or \$150,000. Financial institutions may provide additional financial resources for the subsidised PoC projects. We have earmarked \$10 million for the scheme.

Pilot Insurance-linked Securities (ILS) Grant Scheme

To enhance the competitiveness of Hong Kong as a domicile for ILS, we will launch a two-year pilot scheme to provide subsidies to insurance enterprises or organisations issuing ILS in Hong Kong to cover their upfront costs, subject to a cap of \$12 million or \$6 million per issuance depending on the maturity of the ILS. The total grant amount of the scheme for two-year period would be \$48 million.

Subsidy Scheme for Open-ended Fund Company (OFC)

Under this scheme, we will provide subsidies to cover 70% of the expenses paid to local professional service providers for OFCs set up in or re-domiciled to Hong Kong in the coming 3 years, subject to a cap of \$1 million per OFC. The total grant amount of the scheme for three-year period would be around HK\$ 150 million.

Subsidy Scheme for Real Estate Investment Trusts (REIT)

Under this scheme, we will provide subsidies for qualifying REITs authorised by the Securities and Futures Commission and listed in Hong Kong in the coming 3 years. The subsidy will cover 70% of the expenses paid to local professional service providers for the listing of REITs, subject to a cap of \$8 million per REIT. The total grant amount of the scheme for three-year period would be around HK\$ 120 million.

Other Initiatives

Asian Financial Forum (AFF)

This annual Forum is co-organised by the Government and the Hong Kong Trade Development Council. Since its inception in 2007, the AFF has brought together influential members of the global financial and business community to discuss developments and trends in the dynamic markets of Asia and explore business opportunities in the Mainland and the rest of the world. The number of AFF participants has increased from some 800 for AFF 2007 to over 3 500 for AFF 2020. For AFF 2021, it was held virtually and attracted over 7 000 participants from more than 70 jurisdictions.

Promotion of Fintech through InvestHK

Apart from launching the PoC Scheme, we will continue to provide funding support to the dedicated Fintech team in InvestHK to promote Hong Kong's advantage in Fintech, and attract Fintech companies and talents from other jurisdictions to come to Hong Kong, including organising the annual flagship event Hong Kong Fintech Week. The estimated provision to support the relevant work in 2021-22 is \$27.15 million.

Strengthening investment promotion efforts in financial services sector through InvestHK

An annual funding of \$3.1 million has been reserved for InvestHK for 3 years from 2020-21 to 2022-23 to strengthen its investment promotion efforts in Hong Kong's financial services sector. They include conducting investment promotion visits; sponsoring, organising and participating investment promotion events in key cities such as seminars and receptions; producing marketing material; and supporting the relevant staff costs and administrative costs.

Setting up a dedicated team in InvestHK to develop family office business in Hong Kong

Apart from the above initiatives that are funded by our non-recurrent subhead, to further develop the family office business in Hong Kong, a dedicated team will be set up in InvestHK on a pilot basis for a five-year period to step up promotion of our advantages in

local and other major markets, and offer one-stop support services to family offices which are interested in establishing a presence in Hong Kong. The Financial Services and the Treasury Bureau will reserve an annual funding of \$17.2 million under its recurrent subhead from 2021-22 to 2025-26 to support this programme.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)030

(Question Serial No. 0970)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the matters requiring special attention in 2021-22, the Government states that it will advance financial co-operation with the Mainland, including promoting efforts in implementing initiatives in relation to the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) development in respect of the financial services sector. Please inform this Committee of the following:

1. The specific details of various initiatives under this area of work. Please provide the estimated expenditure of such initiatives.
2. Regarding the efforts in promoting the financial services sector in the GBA development, do they include seeking approval from the Mainland authorities to allow Hong Kong brokerage firms to set up business points in the GBA at a low entry level? If yes, what are the relevant details? If no, what are the reasons?

Asked by: Hon CHEUNG Wah-fung, Christopher (LegCo internal reference no.: 33)

Reply:

The Government attaches great importance to the enormous opportunities brought by the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area) development. Hong Kong will continue to strengthen financial cooperation with the Mainland for mutually beneficial development. Key work progress and plan include the following –

- (1) Promoting mutual market access: Following the announcement in the Policy Address in November last year, we have implemented the expansion of the scope of eligible securities under Southbound Trading of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect from end-December last year to cover pre-revenue / pre-profit biotechnology companies listed in Hong Kong under the new listing regime. At present, 15 pre-revenue / pre-profit biotechnology companies have

been covered in the scope of eligible securities under Southbound Trading. The Government and regulators will continue to work with the relevant Mainland authorities step by step to take forward various proposals for expanding the mutual market access programmes and the arrangements for enhancing the programmes;

- (2) Asset and wealth management: The “Opinion on Providing Financial Support for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area” (the Opinion) supports the participation of Hong Kong’s private equity funds in financing Greater Bay Area innovation and technology (I&T) companies, allows Hong Kong institutional investors to invest in privately offered equity investment funds and venture investment funds on the Mainland part of the Greater Bay Area through the Qualified Foreign Limited Partnership (QFLP) programme. It also supports the privately offered equity investment funds on the Mainland to invest overseas. The Government established the limited partnership fund regime in August 2020 which allows private equity funds to register and operate in the form of limited partnership in Hong Kong. Within half a year since the inception of the regime, more than 100 funds have been set up. We also plan to submit a legislative proposal in the second quarter of this year to allow foreign investment funds to re-domicile to Hong Kong. These measures are conducive to attracting more private equity funds to conduct financing and investment activities in Hong Kong and the Mainland, especially taking part in the financing of corporates in the I&T field in the Greater Bay Area. We will provide subsidies to Open-ended Fund Companies set up in or re-domiciled to Hong Kong and Real Estate Investment Trusts listed in Hong Kong in the coming three years. Mainland investors, fund managers or property developers could make use of the subsidy schemes to raise funds in Hong Kong. The total provision for the two subsidy schemes during the three-year period would be around \$270 million.

Furthermore, the relevant regulators have been stepping up the preparation work since the announcement of the decision by the People’s Bank of China, the Hong Kong Monetary Authority (HKMA) and the Monetary Authority of Macao to implement the two-way wealth management connect scheme in the Greater Bay Area in June 2020. It is planned that for northbound and southbound, there will be an aggregate quota of RMB 150 billion in each direction and an individual investor quota of RMB 1 million. Recently, the regulators of the three places have signed a Memorandum of Understanding on the principles of supervisory cooperation under the scheme, establishing sound supervisory cooperation arrangements and liaison mechanism. The HKMA will continue to work with the relevant authorities with a view to expediting its implementation;

- (3) Risk management and the development of the insurance industry: The Arrangement between the National Development and Reform Commission and the Government of the Hong Kong Special Administrative Region for Advancing Hong Kong’s Full Participation in and Contribution to the Belt and Road Initiative signed in December 2017 supports Hong Kong to provide insurance and re-insurance for large-scale infrastructure projects under the Belt and Road Initiative and encourages Mainland enterprises to establish captive insurance companies in Hong Kong. Following the third meeting of the Leading Group for the Development of the Greater Bay Area

convened on 6 November 2019, the Central Government announced the policy measure of supporting Mainland insurers to issue catastrophe bonds in Hong Kong. To complement the Belt and Road Initiative and the Greater Bay Area development, as well as to assist the insurance industry to seize the development opportunities arising from national development, we completed a series of legislative work in 2020-21 and rolled out a number of new measures in March 2021. These new measures include (i) providing half-rate profits tax concessions to eligible insurance businesses including marine insurance and specialty insurance; (ii) establishing a new regulatory regime to facilitate the issuance of insurance-linked securities (ILS), including catastrophe bonds, in Hong Kong; and (iii) expanding the scope of insurable risks of captive insurance companies set up in Hong Kong. To attract insurance enterprises or organisations to issue ILS in Hong Kong, we propose launching a two-year pilot scheme to subsidise their upfront costs of ILS issued in Hong Kong, subject to a cap of \$12 million or \$6 million per issuance depending on the maturity of the ILS. The total provision for this subsidy scheme during the two-year period would be around \$48 million.

We are also actively discussing the implementation details with relevant Mainland authorities to strive for early establishment of after-sales service centres by the Hong Kong insurance industry in the Mainland cities of the Greater Bay Area, with a view to providing Hong Kong, Macao and Mainland residents who are holders of Hong Kong policies with comprehensive support in different areas including enquiries, claims and renewal of policies. We are also striving for early implementation of the “unilateral recognition” policy for Hong Kong motor vehicles entering Guangdong through the Hong Kong-Zhuhai-Macao Bridge control point. This will extend the coverage of third-party insurance policies issued by Hong Kong insurers for these cross-boundary motor vehicles to cover third-party liability in the Mainland, thereby deeming such policies as equivalent to the mandatory traffic accident liability insurance in the Mainland;

- (4) Green and sustainable finance: The “Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area” supports the development of Hong Kong into a green finance centre in the Greater Bay Area. We are also leveraging Hong Kong’s advantage as an international financial centre to promote the development of green and sustainable finance in Hong Kong. The Green and Sustainable Finance Cross-Agency Steering Group promulgated its strategic plan in December 2020, setting out six key focus areas for strengthening Hong Kong’s financial ecosystem including capitalising on Mainland opportunities to develop Hong Kong into a green finance centre in the Greater Bay Area. Under the Government Green Bond Programme (GGBP), we have issued a total of US\$3.5 billion government green bonds so far, setting an important benchmark for potential issuers in Hong Kong and the region. Looking ahead, we will continue to promote more Greater Bay Area institutions to make use of Hong Kong’s capital market for green investment, financing and certification, thereby supporting green enterprises and projects in the Greater Bay Area and promoting the ecological conservation and green development of the country. We will also join hands with the financial sector and relevant stakeholders to take forward the strategic plan, expand the scale of the GGBP and launch a new Green and Sustainable Finance Grant Scheme (with a total provision of around \$255

million for three years) to mobilise capital towards sustainable projects in the region; and

- (5) Financial technology (Fintech): Hong Kong's sophisticated professional financial services and our close ties with the Mainland and overseas markets provide a conducive environment for Fintech companies and talents in the Greater Bay Area to develop. We will continue to promote the cross-boundary use of Fintech, including various collaboration of our financial regulators with partners outside Hong Kong, as well as encouraging the Fintech sector to explore and test various Fintech solutions and products with cross-boundary applications related to the Greater Bay Area. We have also provided a higher subsidy for cross-boundary applications in the Fintech Proof-of-Concept Subsidy Scheme launched recently.

The "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035" (the 14th Five-Year Plan) acknowledges the significant functions and positioning of Hong Kong in the overall development of the country, which includes supporting Hong Kong to enhance its status as an international financial centre, strengthen its status as a global offshore Renminbi business hub, an international asset management centre and a risk management centre, as well as deepening and widening of mutual access between the financial markets of Hong Kong and the Mainland. Under the new development pattern of "dual circulation", the Government will, in accordance with the content of the 14th Five-Year Plan, make good use of Hong Kong's connectivity with the Mainland and international market and leverage the enormous opportunities presented by the Greater Bay Area development and the Belt and Road Initiative to contribute to the economic development and opening up of the country, as well as to open up a broader market for the financial sector.

Among others, the Mainland authorities removed the nationwide foreign ownership limits in securities companies on 1 April 2020. We will continue to maintain close liaison with the relevant Mainland authorities with a view to expanding the room for development of Hong Kong securities firms in the Mainland, including seeking to allow Hong Kong brokerage firms of various scale to set up business presence in the GBA.

The above work is being pursued jointly by the Government and relevant financial regulators. The Financial Services and the Treasury Bureau has set up a joint working group together with the HKMA, the Securities and Futures Commission and the Insurance Authority to explore how Hong Kong can complement the economic and financial development of our country and meet the needs of international investors, with a view to setting out the development blueprint and putting forward concrete proposals and measures for engagement with the Central Authorities to secure their support. The related expenses will be absorbed from within existing resources in the Financial Services Branch. Except for the aforementioned subsidy and grant schemes, we do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)031

(Question Serial No. 1032)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in Matters Requiring Special Attention in 2021-22 that the Government will continue to foster the establishment of an uncertificated securities market regime with a view to enhancing and modernising Hong Kong's financial market infrastructure. In this connection, please inform this Committee of the following:

1. How many resources are expected to be put in by the Government and stakeholders of the whole financial services industry for the entire uncertificated securities market regime?
2. Does the Government have any plans to subsidise securities dealers, particularly the small and medium enterprises, for migration to the new regime? If yes, what are the details? If no, what are the reasons?

Asked by: Hon CHEUNG Wah-fung, Christopher (LegCo internal reference no.: 34)

Reply:

To elevate the financial market infrastructure in Hong Kong and thereby further enhance the efficiency and competitiveness of our market, the Government is committed to taking forward the Uncertificated Securities Market (USM) regime.

Under the current proposed operational model, most of the existing procedures and arrangements for holding and transacting securities can be retained. As such, we envisage that securities firms do not need extensive replacement of hardware (i.e. the computer systems) for the implementation of the USM initiative.

As far as software is concerned, Hong Kong Exchanges and Clearing Limited (HKEX) is undertaking a comprehensive upgrade of its post-trade system infrastructure, which is expected to be launched in the coming two or three years. The upgraded system will be compatible with the operation of the USM initiative. Since the development cost of the

concerned post-trade system will be borne by HKEX, it is envisaged that securities firms and intermediaries do not need to make extra investment for the implementation of the USM initiative in order to provide existing services.

Separately, securities registrars will establish new systems or upgrade their existing systems to handle the procedures relating to the USM initiative. The relevant costs will largely be borne by the securities registrars as part of their commitment to the ongoing technological development of Hong Kong's markets.

In addition, we envisage that the proposed operational model for the USM initiative will reduce the administrative work of securities firms, and hence their operation would be more efficient. With more and more issuers providing options for uncertificated securities during initial public offering, the need for handling paper certificates transfers will be reduced. As such, the relevant administrative work will correspondingly decrease and securities firms will therefore also benefit from the initiative.

Under the current proposal of USM initiative, the Government will waive the \$5 fixed stamp duty currently chargeable on each instrument of transfer.

The work for implementing the USM regime is pursued jointly by the Government and relevant financial regulators. The major system cost will be borne by HKEX and the securities registrars. As far as the expenses of the Financial Services Branch is concerned, it will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)032

(Question Serial No. 1689)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As the financial industry has spared no effort in encouraging the young people of Hong Kong to undertake finance and innovation and technology (I&T)-related work in the Greater Bay Area (GBA), does the Government have any measures concerning the financial services sector in this regard? How will the Government encourage financial and I&T enterprises to employ Hong Kong's university graduates and send them to work in GBA cities? If there are such measures, what are the details?

Asked by: Hon CHEUNG Wah-fung, Christopher (LegCo internal reference no.: 46)

Reply:

The Government attaches great importance to the opportunities brought by the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) development to our financial services. To encourage and support young people to pursue their career in the GBA, the Government has launched the Greater Bay Area Youth Employment Scheme (the Scheme) to incentivise enterprises with operation in both Hong Kong and the GBA to recruit and deploy local university/ tertiary institution graduates to work in the Mainland cities of the GBA. The Scheme will provide 2 000 places, around 700 of which are designated for innovation and technology posts, thus providing opportunities for our Fintech companies and talents to develop in the GBA.

Moreover, our financial regulators collaborate actively with partners in different places to encourage the industry to explore and test various Fintech solutions and products with cross-boundary applications including the GBA. The Fintech Proof-of-Concept Subsidy Scheme launched in February 2021 also provides a higher subsidy level to encourage financial institutions and Fintech companies to explore projects which have cross-boundary/border applications (including the GBA). These will strengthen the financial services links and talent exchange between Hong Kong and the GBA.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)033

(Question Serial No. 1690)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It was mentioned in paragraph 83 of the Budget Speech that the Government plans to progressively include ETFs and other types of assets as well as introduce related products under Stock Connect. However, 29 ETFs, mostly tracking the indices of non-local markets, were delisted in 2017. In this connection, please inform this Committee: 1. of the statistics of the ETFs delisted in Hong Kong and the reasons for their delisting in the past 3 years; 2. whether the Government has assessed the risk management of the plan and the impact of the delisting of ETFs on the Mainland and Hong Kong; 3. whether the Government has any response plans to counter the impact of the delisting of ETFs, and of the details of such plans.

Asked by: Hon CHEUNG Wah-fung, Christopher (LegCo internal reference no.: 50)

Reply:

According to the Hong Kong Exchanges and Clearing Limited (HKEX), information on the number, average daily turnover and market capitalisation of exchange-traded products (ETPs), including exchange-traded funds (ETFs) and leveraged & inverse (L&I) products, listed on HKEX over the past 3 years is at **Annex**.

While some ETPs were delisted from HKEX over the past 3 years, there were a number of newly-listed ETPs during the same period. The overall turnover and market capitalisation also showed an increasing trend. The Government, the Securities and Futures Commission and HKEX have been promoting the development of the ETP market, including the implementation of initiatives to attract their listings in Hong Kong, reduce the bid-ask spread, deepen market liquidity, etc. These initiatives are conducive to enhancing Hong Kong's attractiveness as an ETP listing platform.

Whether ETP issuers will delist their products from HKEX is their commercial decision having regard to factors such as the latest market situation. Our key consideration is to

maintain the fair and orderly operation of the market. In this regard, the existing regulatory regime has prescribed detailed requirements on the delisting procedures of ETPs, including that ETP issuers should make sufficient notice to product holders and ensure that the redemption of the product is conducted in a fair and orderly manner before delisting, etc.

The mutual capital market access schemes between Hong Kong and the Mainland will continue to be operated in a risk-controlled manner. The success and smooth operation of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect has laid a solid foundation for the further expansion of the mutual market access schemes and also provided a lot of valuable experience. The regulators and exchanges of the two markets will consider the operational details, including the delisting arrangements, in the course of their discussion on the detailed proposals for the further expansion of the mutual market access schemes.

**Information on the number, average daily turnover and market capitalisation of
ETPs listed on HKEX in the past 3 years**

Year	2018	2019	2020
Total number of ETFs	115	111	118
Total number of newly-listed ETFs	15	8	18
Total number of delisted ETFs	6	12	11
Average daily turnover of ETFs (million dollars)	4,013.22	4,376.14	4,900.04
Market capitalisation of ETFs (million dollars)	551,375.79	671,496.58	941,143.97
Total number of L&I products	22	24	28
Total number of newly-listed L&I products	0	3	8
Total number of delisted L&I products	5	1	4
Average daily turnover of L&I products (million dollars)	446.55	574.89	1,505.94
Market capitalisation of L&I products (million dollars)	5,252.56	7,543.00	14,618.17

Source: HKEX

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)034

(Question Serial No. 3249)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 72 of the Budget Speech that last year's total transaction value of the Southbound and Northbound Trading of Stock Connect programmes more than doubled that of the year before. The mutual market access programmes have been operating smoothly. To promote our country's "dual circulation" strategy, the Financial Services and the Treasury Bureau, together with the Hong Kong Monetary Authority, the Securities and Futures Commission and the Insurance Authority, has set up a joint working group to explore how Hong Kong can complement the economic and financial development of our country and meet the needs of international investors, and examine how to further enhance Hong Kong's competitiveness as an international financial centre on the basis of our existing capacities. It will set out the development blueprint and put forward concrete proposals and measures for engagement with the Central Authorities to secure their support. In this regard, will the Government inform this Committee:

- (1) of the concrete development proposals and expenditure involved;
- (2) whether specific assessment of the feasibility of the plan has been conducted; if yes, of the assessment indicators and the details; if not, of the reasons; and
- (3) of the latest work progress?

Asked by: Hon Christopher Cheung (LegCo internal reference no.: 45)

Reply:

The Financial Services and the Treasury Bureau, together with the Hong Kong Monetary Authority, the Securities and Futures Commission and the Insurance Authority, set up a joint working group (the working group) in early 2021 to explore how to further enhance Hong Kong's competitiveness as an international financial centre building on its existing strength. The working group has so far convened two meetings to exchange views on how Hong Kong can fully utilise its market advantages to integrate into the overall national

development plan and serve the country's overall strategy, as well as meeting the needs of international investors with a view to mapping out a development blueprint.

The "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035" (the 14th Five-Year Plan) acknowledges the significant functions and positioning of Hong Kong in the overall development of the country, which includes supporting Hong Kong to enhance its status as an international financial centre, strengthen its status as a global offshore RMB business hub, an international asset management centre and a risk management centre, as well as deepening and widening of mutual access between the financial markets of Hong Kong and the Mainland. Under the new development pattern of "dual circulation", the Government will, in accordance with the content of the 14th Five-Year Plan, make good use of Hong Kong's connectivity with the Mainland and international market and leverage the enormous opportunities presented by the Greater Bay Area development and the Belt and Road Initiative to contribute to the economic development and opening up of the country, as well as to open up a broader market for the financial sector.

The objective of the working group in the first phase is mainly to formulate the development strategy and direction that can complement and contribute to the nation's economic and financial development, while at the same time consolidate Hong Kong's status as the country's international financial centre, for engagement with relevant Central Authorities. The working group will consider the views of the trade in the future process of formulating recommendations on specific measures.

The above work will be pursued jointly by the Government and relevant financial regulators. The related expenses will be absorbed from within existing resources in the Financial Services Branch. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)035

(Question Serial No. 3287)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (-) Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary mentioned the development of financial services and green economy in the Budget Speech under the section of Stimulating the Economy – The Way Forward for Industries (paragraphs 63 to 68). Please inform this Committee of the details of the work done by the HKSAR Government in promoting and facilitating the continued development of financial services and green economy in Hong Kong to support the development of our country over the past year. What was the expenditure involved? What was the effectiveness of the work? What are the specific work plans for the new financial year 2021-22? What is the estimated expenditure to be incurred? Please explain with examples.

Asked by: Hon CHUNG Kwok-pan (LegCo internal reference no.: (20))

Reply:

The Government has all along attached great importance to the enormous opportunities brought by national development to the financial industry of Hong Kong as well as strengthening financial cooperation with the Mainland for mutually beneficial development. Key work progress and plan include the following –

- (1) Promoting mutual market access: Following the announcement in the Policy Address in November last year, we have implemented the expansion of the scope of eligible securities under Southbound Trading of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect from end-December last year to cover pre-revenue / pre-profit biotechnology companies listed in Hong Kong under the new listing regime. At present, 15 pre-revenue / pre-profit biotechnology companies have been covered in the scope of eligible securities under Southbound Trading. The Government and regulators will continue to work with the relevant Mainland authorities step by step to take forward various proposals for expanding the mutual market access programmes and the arrangements for enhancing the programmes;

- (2) Asset and wealth management: The “Opinion on Providing Financial Support for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area” (the Opinion) supports the participation of Hong Kong’s private equity funds in financing Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area) innovation and technology (I&T) companies, allows Hong Kong institutional investors to invest in privately offered equity investment funds and venture investment funds on the Mainland part of the Greater Bay Area through the Qualified Foreign Limited Partnership (QFLP) programme. It also supports the privately offered equity investment funds on the Mainland to invest overseas. The Government established the limited partnership fund regime in August 2020 which allows private equity funds to register and operate in the form of limited partnership in Hong Kong. Within half a year since the inception of the regime, more than 100 funds have been set up. We also plan to submit a legislative proposal in the second quarter of this year to allow foreign investment funds to re-domicile to Hong Kong. These measures are conducive to attracting more private equity funds to conduct financing and investment activities in Hong Kong and the Mainland, especially taking part in the financing of corporates in the I&T field in the Greater Bay Area. We will provide subsidies to Open-ended Fund Companies set up in or re-domiciled to Hong Kong and Real Estate Investment Trusts listed in Hong Kong in the coming 3 years. Mainland investors, fund managers or property developers could make use of the subsidy schemes to raise funds in Hong Kong. The total provision for the two subsidy schemes during the three-year period would be around \$270 million.

Furthermore, the relevant regulators have been stepping up the preparatory work since the announcement of the decision by the People’s Bank of China, the Hong Kong Monetary Authority (HKMA) and the Monetary Authority of Macao to implement the two-way wealth management connect scheme in the Greater Bay Area in June 2020. It is planned that for northbound and southbound, there will be an aggregate quota of RMB 150 billion in each direction and an individual investor quota of RMB 1 million. Recently, the regulators of the three places have signed a Memorandum of Understanding on the principles of supervisory cooperation under the scheme, establishing sound supervisory cooperation arrangements and liaison mechanism. The HKMA will continue to work with the relevant authorities with a view to expediting its implementation;

- (3) Risk management and the development of the insurance industry: The Arrangement between the National Development and Reform Commission and the Government of the Hong Kong Special Administrative Region for Advancing Hong Kong’s Full Participation in and Contribution to the Belt and Road Initiative signed in December 2017 supports Hong Kong to provide insurance and re-insurance for large-scale infrastructure projects under the Belt and Road Initiative and encourages Mainland enterprises to establish captive insurance companies in Hong Kong. Following the third meeting of the Leading Group for the Development of the Greater Bay Area convened on 6 November 2019, the Central Government announced the policy measure of supporting Mainland insurers to issue catastrophe bonds in Hong Kong. To complement the Belt and Road Initiative and the Greater Bay Area development, as well as to assist the insurance industry to seize the development opportunities arising from national development, we completed a series of legislative work in 2020-21 and rolled out a number of new measures in March 2021. These new measures include (i)

providing half-rate profits tax concessions to eligible insurance businesses including marine insurance and specialty insurance; (ii) establishing a new regulatory regime to facilitate the issuance of insurance-linked securities (ILS), including catastrophe bonds, in Hong Kong; and (iii) expanding the scope of insurable risks of captive insurance companies set up in Hong Kong. To attract insurance enterprises or organisations to issue ILS in Hong Kong, we propose launching a two-year pilot scheme to subsidise their upfront costs of ILS issued in Hong Kong, subject to a cap of \$12 million or \$6 million per issuance depending on the maturity of the ILS. The total provision for this subsidy scheme during the two-year period would be around \$48 million.

We are also actively discussing the implementation details with relevant Mainland authorities to strive for early establishment of after-sales service centres by the Hong Kong insurance industry in the Mainland cities of the Greater Bay Area, with a view to providing Hong Kong, Macao and Mainland residents who are holders of Hong Kong policies with comprehensive support in different areas including enquiries, claims and renewal of policies. We are also working for early implementation of the “unilateral recognition” policy for Hong Kong motor vehicles entering Guangdong through the Hong Kong-Zhuhai-Macao Bridge control point. This will extend the coverage of third-party insurance policies issued by Hong Kong insurers for these cross-boundary motor vehicles to cover third-party liability in the Mainland, thereby deeming such policies as equivalent to the mandatory traffic accident liability insurance in the Mainland;

- (4) Green and sustainable finance: The “Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area” supports the development of Hong Kong into a green finance centre in the Greater Bay Area. We are leveraging Hong Kong’s advantage as an international financial centre to promote the development of green and sustainable finance in Hong Kong. The Green and Sustainable Finance Cross-Agency Steering Group promulgated its strategic plan in December 2020, setting out six key focus areas for strengthening Hong Kong’s financial ecosystem including capitalising on Mainland opportunities to develop Hong Kong into a green finance centre in the Greater Bay Area. Under the Government Green Bond Programme (GGBP), we have issued a total of US\$3.5 billion government green bonds so far, setting an important benchmark for potential issuers in Hong Kong and the region. Looking ahead, we will continue to promote more Greater Bay Area institutions to make use of Hong Kong’s capital market for green investment, financing and certification, thereby supporting green enterprises and projects in the Greater Bay Area and promoting the ecological conservation and green development of the country. We will also join hands with the financial sector and relevant stakeholders to take forward the strategic plan, expand the scale of the GGBP and launch a new Green and Sustainable Finance Grant Scheme (with a total provision of around \$255 million for 3 years) to mobilise capital towards sustainable projects in the region.; and
- (5) Financial technology (Fintech): Hong Kong’s sophisticated professional financial services and our close ties with the Mainland and overseas markets provide a conducive environment for Fintech companies and talents in the Greater Bay Area to develop. We will continue to promote the cross-boundary use of Fintech, including various collaboration of our financial regulators with partners outside Hong Kong, as

well as encouraging the Fintech sector to explore and test various Fintech solutions and products with cross-boundary applications related to the Greater Bay Area. We have also provided a higher subsidy for cross-boundary applications in the Fintech Proof-of-Concept Subsidy Scheme launched recently.

The “Outline of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035” (the 14th Five-Year Plan) acknowledges the significant functions and positioning of Hong Kong in the overall development of the country, which includes supporting Hong Kong to enhance its status as an international financial centre, strengthen its status as a global offshore RMB business hub, an international asset management centre and a risk management centre, as well as deepening and widening of mutual access between the financial markets of Hong Kong and the Mainland. Under the new development pattern of “dual circulation”, the Government will, in accordance with the content of the 14th Five-Year Plan, make good use of Hong Kong’s connectivity with the Mainland and international market and leverage the enormous opportunities presented by the Greater Bay Area development and the Belt and Road Initiative to contribute to the economic development and opening up of the country, as well as to open up a broader market for the financial sector.

The above work is being pursued jointly by the Government and relevant financial regulators. The Financial Services and the Treasury Bureau has set up a joint working group together with the HKMA, the Securities and Futures Commission and the Insurance Authority to explore how Hong Kong can complement the economic and financial development of our country and meet the needs of international investors, with a view to setting out the development blueprint and putting forward concrete proposals and measures for engagement with the Central Authorities to secure their support. The related expenses will be absorbed from within existing resources in the Financial Services Branch. Except for the aforementioned subsidy and grant schemes, we do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)036

(Question Serial No. 0399)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

To enhance Hong Kong's attractiveness as a hub for family offices, InvestHK and regulators will offer one-stop support services to family offices interested in establishing a presence in Hong Kong. Please advise on the following:

- 1 What are the specific details of the one-stop support services? Will such support services, including hiring domestic helpers for senior staff of family offices, and assisting in helping their children to find suitable international schools?
- 2 What is the financial commitment of the one-stop support services?

Asked by: Hon Regina Ip (Member Question No. 9)

Reply:

- (1) To further develop the family office business in Hong Kong, Invest Hong Kong (InvestHK) will set up a dedicated team to assist the Financial Services and the Treasury Bureau to step up promotion of our advantages in local and other major markets, and offer one-stop support services to family offices which are interested in establishing a presence here. The objectives of the dedicated team include –
 - (a) nurturing Hong Kong's family office ecosystem by bringing different stakeholders together and building significant family offices presence in the city with a view to reinforcing Hong Kong's position as a leading family office hub in Asia;
 - (b) delivering bespoke one-stop solution to facilitate Mainland and overseas investors in planning, managing and expanding their family offices in Hong Kong;
 - (c) branding Hong Kong as a leading family office hub in Asia and supporting family offices already established in Hong Kong to expand their business;

- (d) coordinating liaison between family offices and regulators, government departments and other stakeholders, connecting relevant professional associations, organisations and service providers, and assisting in application for employment visa and admission to international schools if needed;
 - (e) conducting regular exchange sessions with industry practitioners to collect latest market insights and opinions on family offices matters; and
 - (f) organising familiarisation programmes and other activities to provide consultation on matters such as compliance, taxation and licensing.
- (2) The dedicated team of InvestHK would be set up on a pilot basis for five years. The Financial Services and the Treasury Bureau will reserve an annual funding of \$17.2 million from 2021-22 to 2025-26 in supporting the operation of the dedicated team.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)037

(Question Serial No. 0421)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Subsidies will be provided for qualifying real estate investment trusts (REITs) authorised by the Securities and Futures Commission and listed in Hong Kong in the coming 3 years to encourage the listing of more REITs in Hong Kong. The subsidy will cover 70% of the expenses paid to local professional service providers for the listing of REITs, subject to a cap of \$8 million per REIT. Would the Government please inform this Committee of:

- 1) the factors taken into account when determining the subsidy rate, i.e 70% of the expenses paid subject to a cap of \$8 million;
- 2) the specific fees included in the expenses paid to professional service providers and whether such expenses cover the support for the senior management of the companies concerned in hiring domestic helpers and finding suitable international schools for their children; and
- 3) the reasons for providing such a subsidy and whether the Government has been inspired by similar policies adopted by our competitors in other places?

Asked by: Hon IP LAU Suk-ye, Regina (LegCo internal reference no.: 7)

Reply:

- 1) In designing the subsidy scheme for real estate investment trust (REIT), we have drawn reference to the listing expenses of REITs on the Hong Kong market (ranging from tens of millions to hundreds of millions of dollars), similar overseas grant schemes and the existing local bond grant schemes.
- 2) Subsidies will be provided for qualifying REITs authorised by the Securities and Futures Commission (SFC) and listed in Hong Kong in the coming three years. The subsidy will cover 70% of the expenses paid to local professional service providers for the listing of REITs, subject to a cap of \$8 million per REIT. Examples include service fees provided to underwriters, listing agents, lawyers, auditors, tax advisors, property valuers, marketing and public communications agencies, financial printers,

etc. for the purpose of listing a REIT. The Securities and Futures Commission will be responsible for eligibility vetting under the scheme.

- 3) We are committed to developing the REIT market in Hong Kong and reinforcing the city's role as a premier capital raising centre, while offering investors a wide range of investment options with relatively stable returns. There is ample room for growing the Hong Kong REIT market. Our neighbouring regions have similar grant schemes in place. Offering sufficient policy incentives would attract more new REITs to list in Hong Kong. It is also expected that the scheme will provide more business and job opportunities to local service providers and bring substantial benefits to Hong Kong's economy.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)038

(Question Serial No. 0422)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government plans to provide subsidies to cover 70% of the expenses paid to local professional service providers for Open-ended Fund Companies (OFCs) set up in or re-domiciled to Hong Kong in the coming 3 years, subject to a cap of \$1 million per OFC. Would the Government please inform this Committee of:

- 1) the factors taken into account when determining the subsidy rate, i.e 70% of the expenses paid subject to a cap of \$1 million and whether the amount of subsidy is adequate;
- 2) the specific fees included in the expenses paid to professional service providers and whether such expenses cover the support for the senior management of the companies concerned in hiring domestic helpers and finding suitable international schools for their children; and
- 3) the reasons for providing such a subsidy and whether the Government has been inspired by similar policies adopted by our competitors in other places?

Asked by: Hon IP LAU Suk-ye, Regina (LegCo internal reference no.: 8)

Reply:

- 1) In designing the subsidy scheme for open-ended fund company (OFC), we have drawn reference to the costs of setting up public OFCs on the market (ranging from a million to several millions dollars) and private OFCs (this typically ranges from \$300,000 to \$800,000) and similar overseas grant schemes. We consider the subsidy level sufficient for attracting OFCs' application.
- 2) We will provide subsidies to cover 70% of the expenses paid to local professional service providers for OFCs set up in or re-domiciled to Hong Kong in the coming three years, subject to a cap of \$1 million per OFC. Examples include service fees provided to lawyers, auditors, tax advisors, fund administrators, regulatory and compliance

consultants, etc. for the purpose of setting up or re-locating an OFC. The Securities and Futures Commission will be responsible for eligibility vetting under the scheme.

- 3) Asset and wealth management is a fast-growing sector in the financial services industry. The Government strives to attract more investment funds to set foot in Hong Kong with a view to enhancing Hong Kong's advantage as an Asian fund hub. OFC suits various types of investment funds (e.g. equity fund, bond fund, ETF, family office, etc.). The subsidy scheme is conducive to fostering a diverse local fund market and increasing the attractiveness of the OFC regime. Our neighbouring regions have similar grant schemes in place. Offering sufficient policy incentives would attract more OFCs to set up in or re-locate to Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)039

(Question Serial No. 0535)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in Matters Requiring Special Attention in 2021-22 that the Government will promote the development of financial technologies (Fintech) in Hong Kong. In this regard, please advise this Committee on:

- (a) the specific work plan to promote the development of Fintech in Hong Kong (including project titles, project types, manpower establishment and expenditure involved);
- (b) the actual progress of and results achieved by various projects as at the previous financial year; and
- (c) the overseas exchange programmes and projects launched by the Government to promote the development of Fintech in Hong Kong over the past 5 years.

Asked by: Hon IP LAU Suk-ye, Regina (LegCo internal reference no.: 81)

Reply:

- (a)&(b) As an international financial centre, Hong Kong is an ideal place for Fintech business to grow. The Financial Services and the Treasury Bureau (FSTB) attaches great importance to the development of Fintech, and works closely with relevant government departments, financial regulators and the industry to advance the development of Fintech sector through a variety of measures. Major work include:
- (i) *Promoting Hong Kong's advantages in Fintech* – The FSTB continues to provide funding support to the dedicated Fintech team in InvestHK (Fintech team) for promotion of Hong Kong's advantages in Fintech and attracting Fintech companies and talents from other places to come to Hong Kong. For instance, the annual flagship event, Hong Kong Fintech Week, was held virtually in November 2020 which attracted over 1.2 million viewers from

over 130 economies, with over 18 000 business contacts made. Fintech companies operating in Hong Kong currently have reached over 600, including various Fintech-related laboratories established by international organisations, academic institutions and private entities such as banks and commercial organisations. The revised estimate of the Fintech team in 2020-21 is \$36.96 million. We have earmarked funding to support the relevant work in 2021-22.

In addition, the Hong Kong Monetary Authority (HKMA) will collaborate with the Hong Kong Science and Technology Parks Corporation and Cyberport to attract more financial, technology or research institutes to set up laboratories in Hong Kong, with a focus on areas such as regulatory technology and cyber security, where Hong Kong enjoys clear advantages. The HKMA is formulating the related strategies with stakeholders for timely implementation;

- (ii) *Refining the regulatory regime to facilitate the sector's development* – The HKMA, the Securities and Futures Commission (SFC) and the Insurance Authority (IA) have established their Fintech regulatory sandbox to allow financial institutions and Fintech companies to test new Fintech products and solutions in a secured regulatory environment with well-defined parameters, as well as to gather data and users' feedbacks, thereby expediting the development process, lowering cost and enhancing product quality. Currently, 8 virtual banks, 4 virtual insurers and 1 virtual asset trading platform have been granted relevant licences and authorization to provide innovative financial services in Hong Kong. To foster the development of more novel financial products, the HKMA is considering enhancing its sandbox by providing "through-train" vetting and funding arrangements for those promising Fintech solutions to reduce the time for the launch of innovative financial products in the market.

Furthermore, the HKMA had set out a two-year plan to promote regulatory technology adoption by the banking sector. In its whitepaper published in November 2020 – *Transforming Risk Management and Compliance: Harnessing the Power of Regtech*, 16 recommendations have been put forth to drive banks in adopting technology to enhance and fulfill their risk management and compliance requirements, with a view to assisting banks to cope with the ever-changing operation mode and relevant regulatory measures;

- (iii) *Improving Fintech infrastructure* – The usage of the Faster Payment System (FPS) has been growing rapidly since its launch. We will continue to take forward our work in e-Government to provide convenience to the public, including broadening the application of the FPS for payments of government fees and charges so that e-payment options will be available for making payments in respect of most government bills and licences starting from mid-2022. In addition, we will proceed with legislation within the year to implement the uncertificated securities market regime and eMPF, an

integrated digital platform, to improve efficiency, enhance user experience and lower administrative costs.

The HKMA will continue to promote the Open Application Programming Interface by the banking sector to facilitate development of new applications to aggregate information of different banks' products and services, so as to provide more convenient service to customers such as product comparisons and consolidation of financial information, etc. On the implementation of trade finance platform eTradeConnect, the HKMA is conducting a study to connect it with the Mainland's Trade Finance Platform to allow banks in the two places to execute trade finance transactions. The HKMA will also develop the Commercial Data Interchange to enable commercial services operators, under the instruction and consent of their corporate customers, to submit customers' data to financial institutions through the data exchange platform so as to assist them in the application for services; and

- (iv) *Providing funding to nurture Fintech talent* – The FSTB launched the Fintech Proof-of-Concept Subsidy Scheme, which has been opened for application since February 2021, to encourage financial institutions to partner with Fintech companies to conduct proof-of-concept projects on innovative financial services products, and have earmarked \$10 million for the scheme. We entrusted Cyberport to implement the Financial Practitioners FinTech Training Programme last year. The training programme attracted the attendance of over 1 200 financial practitioners from the banking, insurance and securities sectors, which deepened their Fintech understanding, as well as promoted the adoption of Fintech in financial services. We will announce the details of another round of the training programme soon.

The FSTB carried out Fintech related work internally using existing resources.

- (c) Over the past 5 years, overseas programmes and agreements conducted by the government, financial regulators such as the HKMA, the SFC and the IA, as well as the InvestHK to promote the development of Fintech are set out below.

Year	Organisation/department	Programme/agreement	Remarks
2020	FSTB, InvestHK, HKMA, SFC and IA	Hong Kong Fintech Week 2020	Showcase the edge of the Fintech industry of Hong Kong and facilitate the exchange and collaboration among financial regulators
	SFC	Fintech cooperation arrangement signed with the Israel Securities Authority	Exchange of information in relation to Fintech
	HKMA	Launched Cross-border Testing in collaboration with the Global	Firms can test innovative financial products, services, or business

Year	Organisation/department	Programme/agreement	Remarks
		Financial Innovation Network (GFIN)	models across more than one country or jurisdiction.
	HKMA	Co-organised “TechChallenge – Digitising Trade Finance” with the Bank for International Settlements Innovation Hub	Private firms are invited to submit innovative solutions focusing on solving trade finance challenges
	HKMA	Joint research on Central Bank Digital Currency (CBDC) with the Bank of Thailand	Study the application of CBDC to cross-border payments
2019	FSTB, InvestHK, HKMA, SFC and IA	Hong Kong Fintech Week 2019	Showcase the edge of the Fintech industry of Hong Kong and facilitate the exchange and collaboration among financial regulators
	HKMA	Fintech Memorandum of Understanding (MoU) signed with the Autorité de Contrôle Prudentiel et de Résolution (France)	Enhance the exchange of supervisory information and co-operation
	HKMA	Fintech MoU signed with the Bank of Thailand	Enhance the exchange of supervisory information and co-operation
	HKMA	Proof-of-Concept trial on connecting eTradeConnect and we.trade	eTradeConnect and we.trade are blockchain-based trade finance platforms in Hong Kong and Europe respectively
	HKMA	Organised a high-level Fintech Roundtable	Strengthen cross-border Fintech collaboration among jurisdictions
	HKMA, SFC and IA	Establishment of the Global Financial Innovation Network (GFIN) and launch of cross-border pilot trial	GFIN aims to create a framework for co-operation among financial services regulators on innovation-related topics. HKMA, SFC and IA have joined as members
2018	FSTB, InvestHK, HKMA, SFC and IA	Hong Kong Fintech Week 2018	Showcase the edge of the Fintech industry of Hong

Year	Organisation/department	Programme/agreement	Remarks
			Kong and facilitate the exchange and collaboration among financial regulators
	HKMA	Fintech MoU signed with the Central Bank of Brazil	Enhance the exchange of supervisory information and co-operation
	HKMA	Fintech MoU signed with the Financial Services Regulatory Authority of Abu Dhabi Global Market	Enhance the exchange of supervisory information and co-operation
	SFC	Fintech cooperation arrangement signed with the Financial Services Regulatory Authority of Abu Dhabi Global Market	Exchange of information in relation to Fintech
	HKMA	Fintech MoU signed with the Polish Financial Supervision Authority	Enhance the exchange of supervisory information and co-operation
	SFC	Fintech cooperation arrangement signed with the Financial Market Supervisory Authority of Switzerland	Exchange of information in relation to Fintech
	HKMA	Fintech MoU signed with the Swiss Financial Market Supervisory Authority	Enhance the exchange of supervisory information and co-operation
	IA	Signed Fintech co-operation agreement with the Gibraltar Financial Services Commission	Exchange information and cooperate on Fintech innovation
2017	FSTB, InvestHK, HKMA, SFC and IA	Hong Kong Fintech Week 2017	Showcase the edge of the Fintech industry of Hong Kong and facilitate the exchange and collaboration among financial regulators
	HKMA	Fintech MoU signed with the Dubai Financial Services Authority of Dubai International Financial Centre	Enhance the exchange of supervisory information and co-operation
	HKMA	Fintech MoU signed with the Monetary	Enhance the exchange of supervisory information

Year	Organisation/department	Programme/agreement	Remarks
		Authority of Singapore	and co-operation
	SFC	Fintech cooperation arrangement signed with the Securities Commission Malaysia	Exchange of information in relation to Fintech
	SFC	Fintech cooperation arrangement signed with the Dubai Financial Services Authority of Dubai	Exchange of information in relation to Fintech
	SFC	Fintech cooperation arrangement signed with the Australian Securities & Investments Commission	Exchange of information in relation to Fintech
	SFC	Fintech cooperation arrangement signed with the UK Financial Conduct Authority	Exchange of information in relation to Fintech
	IA	Fintech cooperation agreement signed with the UK Financial Conduct Authority	Exchange information and cooperate on Fintech innovation
	IA	Fintech cooperation agreement signed with the Dubai Financial Services Authority	Exchange information and cooperate on Fintech innovation
2016	FSTB, InvestHK, HKMA and SFC	Hong Kong Fintech Week 2016	Showcase the edge of the Fintech industry of Hong Kong and facilitate the exchange and collaboration among financial regulators
	SFC	SFC Regtech and Fintech Contact Day 2016 (As part of Hong Kong Fintech Week 2016)	Showcase the strengths of the Hong Kong Fintech industry and promote communication and collaboration between financial regulators
	HKMA	Fintech Day (As part of Hong Kong Fintech Week 2016)	Showcase the strengths of the Hong Kong Fintech industry and promote communication and collaboration between

Year	Organisation/department	Programme/agreement	Remarks
			financial regulators
	HKMA	Fintech cooperation agreement with the United Kingdom Financial Conduct Authority	Foster collaboration in promoting financial innovation.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)040

(Question Serial No. 1354)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- A) The Programme mentioned the establishment of a Policy Holders' Protection Scheme to promote the development of the insurance industry. What are the details?
- B) How is the insolvency risks of an insurer being assessed? What is the total policy value of insurance business in Hong Kong? Will the financial conditions (such as the capital adequacy ratio and the liabilities level) of an insurance company be disclosed so as to balance the risks?
- C) In developing insurance-linked securities, what can be done to allow the public, the enterprises and the policyholders to benefit from the development, such as by offering lower premium, lower thresholds and more choices of insurance options?

Asked by: Hon LAM Kin-fung, Jeffrey (LegCo internal reference no.: 49)

Reply:

- A) We are preparing for the establishment of a Policy Holders' Protection Scheme together with the Insurance Authority (IA), so as to provide affected policy holders with a safety net by offering compensation or securing the continuity of insurance contracts in case an insurer becomes insolvent. The IA is conducting a consultancy study to update relevant parameters and review implications of the current business environment on the proposal. We will take into account findings of the consultancy study and views of the industry in finalizing the relevant details. Our current plan is to draw up the relevant draft bill in the 2022-23 legislative session.
- B) Currently, Hong Kong's statutory capital adequacy requirements of the insurance industry are rule-based. In view of recent volatility in the global financial market, the IA closely monitors the changes in solvency of the insurers, and regularly performs stress tests based on fluctuations in interest rates and equity prices as well as widening

of credit spreads. The results show that the insurance industry is able to meet the statutory requirements.

At present, the IA requires insurance companies to provide relevant data, including the total sum assured and net liabilities, for monitoring purposes. The IA, in the course of monitoring the insurance companies' solvency, requires insurance companies to maintain sufficient assets to cover their liabilities and solvency margin. As the total policy value is not essential data in the monitoring of the insurance companies' solvency, the IA does not maintain statistics on policy value.

To benchmark with international standards and ensure financial stability, we are working with the IA on the implementation of a Risk-based Capital regime which will render the requirements imposed on insurers more sensitive to their asset and liability matching, risk appetite and mix of products. Having completed three rounds of quantitative impact studies in consultation with the industry, the IA plans to consult the industry on the relevant details this year. We plan to draw up the relevant draft bill in the 2021-22 legislative session. Under the proposed new regime, an insurance company will be required to make periodic public disclosure of their capital resources and capital requirements, with a view to providing the public with more information.

- C) Insurance-linked securities (ILS) is a risk management tool that enables insurers or reinsurers to offload risks that they have underwritten to the capital market by way of securitization, and are often treated as an alternative form of reinsurance. ILS improves the capacity of the insurance market, makes the insurance coverage more affordable and thereby enhances the insurance industry's sustainable development. From the perspective of institutional investors, ILS offers an exposure uncorrelated to economic cycles, thereby achieving diversification.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)041

(Question Serial No. 1825)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under the Supplement V to the CEPA, which came into effect in January 2009, Hong Kong accounting firms conducting auditing business on a temporary basis in the Mainland can apply for the “Provisional Licence to Perform Audit-related Services”. Hong Kong professionals who have obtained the Chinese Certified Public Accountants qualification can serve as partners of partnership firms in the Mainland. However, many accountants have reflected that while it is still very difficult to go into China for practice, some small and medium enterprises (SMEs) in the Pearl River Delta wish to have the assistance of the Hong Kong professional services sector to enhance their governance. Would the Government inform this Committee:

- 1) of the current number of Hong Kong accounting firms which have obtained the above Licence to Perform Audit-related Services;
- 2) of the number of Hong Kong professionals who serve as partners of partnership firms in the Mainland;
- 3) whether it will negotiate and co-ordinate with the Guangdong Provincial Government to allow Hong Kong accountants with rich working experience in the Mainland to practise without examination in the Greater Bay Area, with a view to providing professional services such as auditing to unlisted Mainland SMEs? If yes, what are the details? If no, what are the reasons?

Asked by: Hon LEE Wai-king, Starry (LegCo internal reference no.: 3)

Reply:

- (1) and (2) Currently, accounting firms outside the Mainland (including Hong Kong accounting firms) may apply for the Mainland’s “Provisional Licence to Perform Audit-related Services” to practise auditing in the Mainland for companies established outside the Mainland. Over 1 900 registered practice

units in Hong Kong are eligible to make the applications. In addition, qualified Hong Kong certified public accountants (CPA) enjoy exemption from certain examination papers when they take the Mainland's CPA examination. As of now, there have been some 1 800 successful applications for the exemption. Since it is a matter of individual commercial arrangement for Hong Kong accounting firms to apply for the "Provisional Licence to Perform Audit-related Services" and for Hong Kong CPAs to serve as partners of partnership firms in the Mainland after obtaining the Mainland CPA qualification, the Government does not possess the relevant statistics.

- (3) According to the Agreement Concerning Amendment to the Agreement on Trade in Services of the Mainland and Hong Kong Closer Economic Partnership Arrangement signed in November 2019, the requirements for Hong Kong CPAs who have obtained the Mainland CPA qualification to become partners of partnership accounting firms in the Mainland have been given national treatment so as to facilitate Hong Kong accounting professionals' practice in the Mainland. On that basis, the Government will pursue with the Mainland measures for further facilitating Hong Kong CPAs to practise in the Greater Bay Area, for example relaxation of the residency requirement.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)042

(Question Serial No. 1873)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated in the Budget that e-payment options (including the Faster Payment System) will be available for making payments in respect of most government bills and licences starting from mid-2022. What are the implementation timetable for and the details of the work concerned?

Asked by: Hon LEE Wai-king, Starry (LegCo internal reference no.: 65)

Reply:

Seven government departments already accept payment via the Faster Payment System (FPS) for their services, including bill payment of taxes, rates and government rent, water charges, as well as payment at designated counters and self-help kiosks of departments such as the Transport Department and the Immigration Department. A good number of government departments have also commenced preparatory work to enable online payments for government paid services with the FPS, which will cover various services frequently used by the public, such as applying for licenses and certificates, booking and registration of services, etc. The first batch of departments is expected to be ready in 2022, with other departments rolling out their services by phases afterward. We will continue to promote wider use of the FPS as a bill payment option by government departments and major public bodies.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)043

(Question Serial No. 2455)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (-) Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the 100% Personal Loan Guarantee Scheme, please advise on the number of eligible applicants, the number of applications received, the amount of default claims and the default rate as estimated by the Government?

Asked by: Hon LEUNG Mei-fun, Priscilla (LegCo internal reference no.: 18)

Reply:

The Financial Secretary announced in the 2021-22 Budget the proposal to introduce a time-limited 100% Personal Loan Guarantee Scheme (PLGS). The PLGS seeks to provide a supplementary financing option to help unemployed persons affected by the Coronavirus Disease 2019 tide over the interim difficulty.

Hong Kong permanent residents aged 18 or above may apply for loans under the PLGS provided they have been unemployed for at least two months at the time of loan application and can demonstrate cessation of main recurrent incomes from employment in Hong Kong. Self-employed individuals (only for those who currently do not have any loans or credit facilities guaranteed under the SME Financing Guarantee Scheme (SFGS)), free-lancers, gig or casual workers are also eligible upon the production of a declaration of unemployment and demonstration of a loss of main recurrent incomes. As the PLGS aims to assist unemployed persons with genuine need, loan applicants also need to provide proofs of their previous employment and main recurrent incomes for at least three months during the period from January 2020 to the scheme's announcement in February 2021.

Under the PLGS, an eligible applicant may receive a loan of up to 6 times the average monthly income for any three months from January 2020 to the scheme's announcement in February 2021, or 6 times the average monthly assessable income as calculated with reference to the tax demand note for financial year 2019-2020, subject to a ceiling of HK\$80,000, whichever is the lower.

The maximum repayment period is six years counting from the drawdown of the loan. To alleviate the immediate repayment burden on unemployed persons, an option of principal moratorium for the first 12 months will be offered under which borrowers will only be required to make repayments of principal and interest in the remaining five-year repayment period. An effective fixed interest rate of 1% per annum will be charged. Guarantee fee will be waived. A borrower will receive a full rebate of the interest payment after the loan and interest are fully repaid by the end of the repayment period despite any interim delinquencies.

Under the proposed PLGS, the Government will provide a total commitment of HK\$15 billion. As the number of beneficiaries depends on a number of factors, including the financing needs of individual borrowers and their families, and the prevailing economic environment, we do not have the estimated number of beneficiaries under the scheme.

Unlike commercial loans, there is no requirement under the PLGS for assessing the repayment ability of loan applicants, including no requirement for satisfying any minimum credit rating or having no outstanding default. Loan applicants are required to maintain valid bank accounts and must not be subject to any bankruptcy petition or proceedings. Considering that no credit assessment would be carried out under the scheme and the fact that loan applicants are unemployed, 25% is used as the assumed default rate (ADR) for estimation purpose. The expected default loss is estimated to be HK\$3.75 billion. The Special 100% Loan Guarantee Product under the SFGS applies the same ADR of 25% for estimation purpose.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)044

(Question Serial No. 1270)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Matters Requiring Special Attention in 2021-22 include the promotion of the development of financial technologies (Fintech) in Hong Kong. The COVID-19 pandemic has speeded up digital transformation of the Hong Kong financial market. The Government expressed that it would assist in the transformation and upgrading of our financial market under the “new normal” on 3 fronts, namely regulation (a licensing regime for virtual asset services providers), subsidy (Proof-of-Concept Subsidy Scheme) and talent. Please inform this Committee of the following:

- (1) the staff establishment for Fintech-related work in the Financial Services Branch and the estimated expenditure on promoting Fintech development in Hong Kong in 2021-22; and
- (2) on the talent front, 1 000 new jobs have been created under the Fintech Anti-epidemic Scheme for Talent Development launched in July 2020, involving a total funding of up to HK\$120 million. As at April, how many jobs have been approved and how many of them have been filled? How many applications have been rejected and what are the reasons for rejection?

Asked by: Hon LIAO Cheung-kong, Martin (LegCo internal reference no.: 67)

Reply:

- (1) The Financial Services and the Treasury Bureau carries out financial technologies (Fintech) related work internally using existing resources, and also provides funding to support the work of a dedicated Fintech team in InvestHK. The actual expenditure of the InvestHK team in 2019-20 was \$27.136 million, and the revised estimate of which in 2020-21 is \$36.96 million.
- (2) The Government launched in July 2020 the Fintech Anti-epidemic Scheme for Talent Development (FAST Scheme) to enrich the Fintech talent pool and support

employment in Hong Kong. As of end-February 2021, the FAST Scheme received 780 applications, with 598 applications having been approved. Of which, 388 companies have completed recruitment and the subsidized employees have commenced work and received the subsidy. The majority of the remaining 182 applications being processed require supplementary information for further assessment, and a very small number of applications were subsequently withdrawn by the applicants.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)045

(Question Serial No. 3207)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stated in the Budget Speech, the Hong Kong Science and Technology Parks Corporation and Cyberport will, with a view to fostering the development of more novel financial products, collaborate with the Hong Kong Monetary Authority to attract more financial, technology or research institutes to set up laboratories in Hong Kong, with a focus on such areas as regulatory technology and cyber security, where Hong Kong enjoys clearest advantages.

Please advise this Committee on:

- (1) the number of laboratories set up by financial, technology or testing institutes in Hong Kong, the types of financial technology projects involved, and the application of the relevant technologies in Hong Kong; and
- (2) the incentives and plans for attracting laboratories to be set up in Hong Kong.

Asked by: Hon LIAO Cheung-kong, Martin (LegCo internal reference no.: 68)

Reply:

- (1)&(2) As an international financial centre, Hong Kong is an ideal place for the development of Fintech. There are now over 600 Fintech companies operating in Hong Kong, including various Fintech-related laboratories established by international organisations, academic institutions and private entities such as banks and commercial organisations. Examples include the Bank for International Settlements Innovation Hub, the Accenture Fintech Innovation Lab Asia-Pacific, the Deloitte Asia Pacific Blockchain Lab and Standard Chartered's eXellerator Innovation Lab. Projects covered include core Fintech technological areas (like blockchain), and Fintech application areas for central banks functions as well as those for the general financial services.

The Hong Kong Monetary Authority (HKMA) has been in constant dialogue with various stakeholders, including universities and strategic partners such as Cyberport and the Hong Kong Science & Technology Parks, and understands the keen demand for regulatory technology and cybersecurity talent and solutions. The HKMA will collaborate with its strategic partners to attract relevant institutions in these two major areas to set up laboratories in Hong Kong. The initiative is still at the inception stage. The HKMA is formulating the related strategies with stakeholders in preparation for the implementation.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)046

(Question Serial No. 0376)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Services and the Treasury Bureau is responsible for promoting the development of financial technologies (Fintech) in Hong Kong. In this connection, please inform this Committee of the following:

1. the amount of resources devoted by the Government for the purpose, the key work carried out and the key results achieved in the past 2 years;
2. whether the Government has drawn up any road map and timetable for leveraging the advantages of Hong Kong's professional financial services to expedite the promotion of cooperation in Fintech in the Guangdong-Hong Kong-Macao Greater Bay Area; if yes, the details; if not, the reasons for that.

Asked by: Hon LO Wai-kwok (LegCo internal reference no.: 38)

Reply:

1. As an international financial centre, Hong Kong is an ideal place for Fintech business to grow. The Financial Services and the Treasury Bureau (FSTB) attaches great importance to the development of Fintech, and works closely with relevant government departments, financial regulators and the industry to advance the development of Fintech sector through a variety of measures. Major work include:
 - (i) *Promoting Hong Kong's advantages in Fintech* – The FSTB continues to provide funding support to the dedicated Fintech team in InvestHK (Fintech team) for promotion of Hong Kong's advantages in Fintech and attracting Fintech companies and talents from other places to come to Hong Kong. For instance, the annual flagship event, Hong Kong Fintech Week, was held virtually in November 2020 which attracted over 1.2 million viewers from over 130 economies, with over 18 000 business contacts made. Fintech companies operating in Hong Kong currently have reached over 600, including various

Fintech-related laboratories established by international organisations, academic institutions and private entities such as banks and commercial organisations. The revised estimate of the Fintech team in 2020-21 is \$36.96 million. We have earmarked funding to support the relevant work in 2021-22.

In addition, the Hong Kong Monetary Authority (HKMA) will collaborate with the Hong Kong Science and Technology Parks Corporation and Cyberport to attract more financial, technology or research institutes to set up laboratories in Hong Kong, with a focus on areas such as regulatory technology and cyber security, where Hong Kong enjoys clear advantages. The HKMA is formulating the related strategies with stakeholders for timely implementation;

- (ii) *Refining the regulatory regime to facilitate the sector's development* – The HKMA, the Securities and Futures Commission and the Insurance Authority have established their Fintech regulatory sandbox to allow financial institutions and Fintech companies to test new Fintech products and solutions in a secured regulatory environment with well-defined parameters, as well as to gather data and users' feedbacks, thereby expediting the development process, lowering cost and enhancing product quality. Currently, 8 virtual banks, 4 virtual insurers and 1 virtual asset trading platform have been granted relevant licences and authorization to provide innovative financial services in Hong Kong. To foster the development of more novel financial products, the HKMA is considering enhancing its sandbox by providing "through-train" vetting and funding arrangements for those promising Fintech solutions to reduce the time for the launch of innovative financial products in the market.

Furthermore, the HKMA had set out a two-year plan to promote regulatory technology adoption by the banking sector. In its whitepaper published in November 2020 – *Transforming Risk Management and Compliance: Harnessing the Power of Regtech*, 16 recommendations have been put forth to drive banks in adopting technology to enhance and fulfill their risk management and compliance requirements, with a view to assisting banks to cope with the ever-changing operation mode and relevant regulatory measures;

- (iii) *Improving Fintech infrastructure* – The usage of the Faster Payment System (FPS) has been growing rapidly since its launch. We will continue to take forward our work in e-Government to provide convenience to the public, including broadening the application of the FPS for payments of government fees and charges so that e-payment options will be available for making payments in respect of most government bills and licences starting from mid-2022. In addition, we will proceed with legislation within the year to implement the uncertificated securities market regime and eMPF, an integrated digital platform, to improve efficiency, enhance user experience and lower administrative costs.

The HKMA will continue to promote the Open Application Programming Interface by the banking sector to facilitate development of new applications to aggregate information of different banks' products and services, so as to provide more convenient service to customers such as product comparisons and consolidation of financial information, etc. On the implementation of trade

finance platform eTradeConnect, the HKMA is conducting a study to connect it with the Mainland's Trade Finance Platform to allow banks in the two places to execute trade finance transactions. The HKMA will also develop the Commercial Data Interchange to enable commercial services operators, under the instruction and consent of their corporate customers, to submit customers' data to financial institutions through the data exchange platform so as to assist them in the application for services; and

- (iv) *Providing funding to nurture Fintech talent* – The FSTB launched the Fintech Proof-of-Concept Subsidy Scheme, which has been opened for application since February 2021, to encourage financial institutions to partner with Fintech companies to conduct proof-of-concept projects on innovative financial services products, and have earmarked \$10 million for the scheme. We entrusted Cyberport to implement the Financial Practitioners FinTech Training Programme last year. The training programme attracted the attendance of over 1 200 financial practitioners from the banking, insurance and securities sectors, which deepened their Fintech understanding, as well as promoted the adoption of Fintech in financial services. We will announce the details of another round of the training programme soon.

The FSTB carried out Fintech related work internally using existing resources.

2. Hong Kong's sophisticated professional financial services and our close ties with the Mainland and overseas markets provide a conducive environment for Fintech companies and talents in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) to develop. We will continue to promote the cross-boundary use of Fintech, including various collaboration our financial regulators have with partners outside Hong Kong, as well as encouraging the Fintech sector to explore and test various Fintech solutions and products with cross-boundary applications related to the GBA.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)047

(Question Serial No. 3153)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to paragraph 176 of the Budget Speech, the Government has decided to raise the rate of Stamp Duty on Stock Transfers, from the current 0.1 per cent to 0.13 per cent of the consideration or value of each transaction payable by buyers and sellers respectively. In view of concerns raised about the impact on Hong Kong's financial development and the opposition from the sector, will the Government put this decision on hold first and conduct further detailed reviews and studies? Upon the implementation of the increase of the rate of Stamp Duty on Stock Transfers, will the Government adjust the rate if evidence shows that the increase has affected the transactions of local stock market? If yes, what are the details? If no, what are the reasons?

Asked by: Hon NG Wing-ka, Jimmy (LegCo internal reference no.: 167)

Reply:

The Government has proposed in the Budget that the rate of Stamp Duty on Stock Transfers should be revised in order to increase government revenue while maintaining the growth of the financial market and our competitiveness.

The proposed rate of increase has struck a balance between increasing government revenue and the need to sustain our financial market development, in order to maintain Hong Kong's status as an international financial centre. In coming to the above decision, apart from the impact on transaction cost and the trade, the Government has also taken into account (i) the growth momentum of the stock market as driven by the closer interaction and collaboration between the capital markets in Hong Kong and the Mainland; (ii) the enormous opportunities presented to Hong Kong in connecting global capital flows with the rapidly-expanding real economy in the Mainland; (iii) the strengths of our capital market and the increasing number of quality companies coming to Hong Kong due to the continuous listing reforms; (iv) the development momentum propelled by the return of

China Concept Stock companies to Hong Kong for listing; (v) the quantitative easing policy adopted around the world, the sustained low interest rate environment and the continuous capital inflows which have stimulated market turnover; and (vi) the fundamental strengths established by the Hong Kong financial market over the years.

With the continuous development of the securities market in Hong Kong, the number of listed companies has increased by 80%, from 1 413 in 2010 to 2 538 in 2020. Also, the total market capitalisation has grown to \$48 trillion in 2020, up 129% from \$21 trillion in 2010. With the launch of various Stock Connect schemes, coupled with the numerous quality listed companies coming to our market under the new listing regimes, the average daily turnover of the securities market in Hong Kong has surged from \$69 billion in 2010 to \$130 billion in 2020.

Having considered the above factors, the Government's assessment is that the upward adjustment of the rate of Stamp Duty on Stock Transfers from the existing 0.1% to 0.13% (i.e. for every transaction of \$100,000, the increase in stamp duty is \$30 each side) will not compromise the attractiveness and competitiveness of the securities market. If the average daily turnover is maintained at the level of around \$130 billion as recorded over the past year, the full-year additional government revenue that would be brought is \$12 billion. The Government introduced the relevant Bill into Legislative Council on 17 March and proposed the revision to take effect on 1 August.

The competitiveness of each stock market would hinge on various factors, including the depth and breadth of market liquidity, freedom and efficiency of capital inflows and outflows, quality of listed companies in that market, legal system, regulatory standards, etc. Transaction cost is only one of the many factors. The transaction cost structure of stock markets around the world varies. Unlike some markets which charge dividend tax and capital gain tax, Hong Kong does not charge such taxes. As mentioned above, we are committed to pursuing policy reform that would help consolidate our fundamental strengths, enhance market quality and expand mutual market access so that Hong Kong can serve as a robust platform for connecting the Mainland and international markets. The Financial Secretary has announced in the Budget that the Government will continue to spare no efforts in introducing measures to facilitate the development of the securities market, so as to take our financial services sector to the next level. These measures will help enhance the competitiveness of the Hong Kong stock market.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)048

(Question Serial No. 1039)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. The Budget mentioned the setting up [of a Special 100% Loan Guarantee for Individuals Scheme], with details to be announced by the Financial Services and the Treasury Bureau and the Hong Kong Mortgage Corporation Insurance Limited. However, in the Government's Estimates of Expenditure, including Head 148 - Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch) and Head 147 - Government Secretariat: Financial Services and the Treasury Bureau (The Treasury Branch), the expenditure involved was not reflected nor was the Scheme mentioned in Matters Requiring Special Attention in 2021-22. What are the reasons?
2. Which part of the Estimates of Expenditure will reflect the estimated expenditure for setting up the Special 100% Loan Guarantee for Individuals Scheme?

Asked by: Hon POON Siu-ping (LegCo internal reference no.: 42)

Reply:

The Financial Secretary announced in the 2021-22 Budget the proposal to introduce a time-limited 100% Personal Loan Guarantee Scheme (PLGS). The PLGS seeks to provide a supplementary financing option to help unemployed persons affected by the Coronavirus Disease 2019 tide over the interim difficulty.

Under the PLGS, the Government will provide a total commitment of HK\$15 billion. As the funding application is subject to the approval of the Finance Committee of the Legislative Council, it is not reflected in the 2021-22 Estimates published by the Government.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)049

(Question Serial No. 1044)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (-) Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Budget Speech mentioned the setting up of a Special 100% Loan Guarantee for Individuals Scheme, which will involve a total guarantee commitment of \$15 billion. In this regard, please advise on:

1. the number of people expected to benefit from the Scheme; and
2. the estimated total government expenditure of the Scheme and a breakdown of the expenditure involved.

Asked by: Hon POON Siu-ping (LegCo internal reference no.: 10)

Reply:

The Financial Secretary announced in the 2021-22 Budget the proposal to introduce a time-limited 100% Personal Loan Guarantee Scheme (PLGS). The PLGS seeks to provide a supplementary financing option to help unemployed persons affected by the Coronavirus Disease 2019 tide over the interim difficulty. As the number of beneficiaries depends on a number of factors, including the financing needs of individual borrowers and their families, and the prevailing economic environment, we do not have the estimated number of beneficiaries under the scheme.

The HKMC Insurance Limited (HKMCI) will be the scheme administrator responsible for implementing the PLGS, and loans will be approved by the participating lending institutions (PLIs). After drawdowns, the loans will be sold to the Hong Kong Mortgage Corporation Limited (HKMC) without recourse to the PLIs. The Government will provide funding to the HKMC for the purchase of loans. For each loan sold to the HKMC, an originating fee and a loan servicing fee will be provided to the PLI concerned and an administration fee will be provided to the HKMCI. The aforesaid fees will be borne by the Government.

The Government will provide a total commitment of HK\$15 billion for the PLGS. The commitment is for funding the purchase of loans from the PLIs concerned by the HKMC and for covering the associated expenses of around \$1.095 billion, including fees payable to the HKMCI and the PLIs, debt recovery costs, and other necessary out-of-pocket expenses (such as the costs of conducting upfront quality assurance sample check at the loan application stage, audit review and legal fees, etc.). On the basis of an overall assumed default rate of 25%, the expected default loss is estimated to be HK\$3.75billion.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)050

(Question Serial No. 0128)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is proposed in the Budget that the rate of Stamp Duty on Stock Transfers be raised from the current 0.1% to 0.13% of the consideration or value of each transaction payable by buyers and sellers respectively. Would the Government please inform this Committee of:

1. whether it has assessed the impact of the adjustment to the rate of stamp duty on the stock market and trading volume? If yes, please give the details; and if no, the reasons; and
2. the basis for Hong Kong to maintain its competitiveness after the adjustment given that the rate of stamp duty in a number of major stock markets is lower than that in Hong Kong?

Asked by: Hon SHEK Lai-him, Abraham (LegCo internal reference no.: 4)

Reply:

1. The Government has proposed in the Budget that the rate of Stamp Duty on Stock Transfers should be revised in order to increase government revenue while maintaining the growth of the financial market and our competitiveness.

The proposed rate of increase has struck a balance between increasing government revenue and the need to sustain our financial market development, in order to maintain Hong Kong's status as an international financial centre. In coming to the above decision, apart from the impact on transaction cost and the trade, the Government has also taken into account (i) the growth momentum of the stock market as driven by the closer interaction and collaboration between the capital markets in Hong Kong and the Mainland; (ii) the enormous opportunities presented to Hong Kong in connecting global capital flows with the rapidly-expanding real economy in the Mainland; (iii) the strengths of our capital market and the increasing number of quality companies coming to Hong Kong due to the continuous listing reforms; (iv) the development momentum propelled by the return of China Concept Stock companies to Hong Kong for listing; (v) the quantitative easing policy adopted around the world, the sustained low interest rate

environment and the continuous capital inflows which have stimulated market turnover; and (vi) the fundamental strengths established by the Hong Kong financial market over the years.

With the continuous development of the securities market in Hong Kong, the number of listed companies has increased by 80%, from 1 413 in 2010 to 2 538 in 2020. Also, the total market capitalisation has grown to \$48 trillion in 2020, up 129% from \$21 trillion in 2010. With the launch of various Stock Connect schemes, coupled with the numerous quality listed companies coming to our market under the new listing regimes, the average daily turnover of the securities market in Hong Kong has surged from \$69 billion in 2010 to \$130 billion in 2020.

Having considered the above factors, the Government's assessment is that the upward adjustment of the rate of Stamp Duty on Stock Transfers from the existing 0.1% to 0.13% (i.e. for every transaction of \$100,000, the increase in stamp duty is \$30 each side) will not compromise the attractiveness and competitiveness of the securities market. If the average daily turnover is maintained at the level of around \$130 billion as recorded over the past year, the full-year additional government revenue that would be brought is \$12 billion. The Government introduced the relevant Bill into Legislative Council on 17 March and proposed the revision to take effect on 1 August.

2. The competitiveness of each stock market would hinge on various factors, including the depth and breadth of market liquidity, freedom and efficiency of capital inflows and outflows, quality of listed companies in that market, legal system, regulatory standards, etc. Transaction cost is only one of the many factors. The transaction cost structure of stock markets around the world varies. Unlike some markets which charge dividend tax and capital gain tax, Hong Kong does not charge such taxes. As mentioned above, we are committed to pursuing policy reform that would help consolidate our fundamental strengths, enhance market quality and expand mutual market access so that Hong Kong can serve as a robust platform for connecting the Mainland and international markets. The Financial Secretary has announced in the Budget that the Government will continue to spare no efforts in introducing measures to facilitate the development of the securities market, so as to take our financial services sector to the next level. These measures will help enhance the competitiveness of the Hong Kong stock market.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)051

(Question Serial No. 1418)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (-) Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

For people who have no means to obtain a loan and no money to file for bankruptcy, will the Financial Secretary exercise his discretion to allow them to do the following, so that they can pay the costs of bankruptcy:

1. apply for the Special 100% Loan Guarantee for Individuals Scheme;
2. make early withdrawal of part of their MPF contributions?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 26)

Reply:

The Financial Secretary announced in the 2021-22 Budget the proposal to introduce a time-limited 100% Personal Loan Guarantee Scheme (PLGS). The PLGS seeks to provide a supplementary financing option to help unemployed persons affected by the Coronavirus Disease 2019 tide over the interim difficulty.

Hong Kong permanent residents aged 18 or above may apply for loans under the PLGS provided they have been unemployed for at least two months at the time of loan application and can demonstrate cessation of main recurrent incomes from employment in Hong Kong. Self-employed individuals (only for those who currently do not have any loans or credit facilities guaranteed under the SME Financing Guarantee Scheme), free-lancers, gig or casual workers are also eligible upon the production of a declaration of unemployment and demonstration of a loss of main recurrent incomes. As the PLGS aims to assist persons who are suffering from cessation of main recurrent incomes and with genuine need, loan applicants also need to provide proofs of their previous employment and main recurrent incomes for at least three months during the period from January 2020 to the scheme's announcement in February 2021.

Unlike commercial loans, there is no requirement under the PLGS for assessing the repayment ability of loan applicants, including no requirement for satisfying any minimum credit rating or for having no outstanding default. Loan applicants are required to maintain valid bank accounts, and they must not be subject to any bankruptcy petition or proceedings at the time of loan application. A bankrupt may not directly benefit from taking out a loan under the PLGS, considering that a bankrupt is required by law to vest his/her property with a trustee for administration.

As regards the suggestion to allow members of the public to make early withdrawal of Mandatory Provident Fund (MPF) accrued benefits, the Government considers it not appropriate to pursue after thorough consideration of relevant policy objectives and long-term implications. The MPF System is a long-term saving scheme for retirement. Its design is to allow the steady accumulation of MPF benefits in the MPF accounts for investment and value growth during the working life of scheme members. Accrued benefits should be preserved in the system as far as possible and should only be withdrawn upon retirement of the employees. Therefore, the MPF legislation only allows scheme members to make early withdrawal of accrued benefits before reaching the retirement age under certain exceptional circumstances. If we were to relax the preservation requirement on accrued benefits and allow scheme members to make early withdrawal to meet short-term financial needs or contingency, there would be leakage of the accrued benefits from the system from time to time and damage the accumulation for value growth, thereby undermining the integrity of the MPF System and rendering it difficult to achieve the purpose of assisting the working population to save for their retirement.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)052

(Question Serial No. 1450)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (-) Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the Special 100% Loan Guarantee for Individuals Scheme, please inform this Committee of:

- (1) whether the Government has made an estimate of the number of unemployed persons who will benefit from the scheme; and
- (2) whether the Government has made an estimate of the number of applicants who will default on such loans or be unable to make repayment, leaving the Treasury no choice but to write off the amount defaulted; if yes, the estimated number of such cases, the percentage they will account for and the amount defaulted, and if no, whether the Government will make an immediate estimate.

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 41)

Reply:

The Financial Secretary announced in the 2021-22 Budget the proposal to introduce a time-limited 100% Personal Loan Guarantee Scheme (PLGS). The PLGS seeks to provide a supplementary financing option to help unemployed persons affected by the Coronavirus Disease 2019 tide over the interim difficulty.

Under the proposed PLGS, the Government will provide a total commitment of HK\$15 billion. As the number of beneficiaries depends on a number of factors, including the financing needs of individual borrowers and their families, and the prevailing economic environment, we do not have the estimated number of beneficiaries under the scheme.

Unlike commercial loans, there is no requirement under the PLGS for assessing the repayment ability of loan applicants, including no requirement for satisfying any minimum credit rating or for having no outstanding default. Loan applicants are required to maintain valid bank accounts and must not be subject to any bankruptcy petition or proceedings.

Considering that no credit assessment would be carried out under the scheme and the fact that loan applicants are unemployed, 25% is used as the assumed default rate (ADR) for estimation purpose. The expected default loss is estimated to be HK\$3.75 billion. The Special 100% Loan Guarantee Product under the SME Financing Guarantee Scheme applies the same ADR of 25% for estimation purpose.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)053

(Question Serial No. 1492)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (-) Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

After the announcement of the Special 100% Loan Guarantee for Individuals Scheme by the Financial Secretary (FS), a number of unemployed and underemployed workers living beyond their means through borrowings have said to me that the FS is “encouraging” people in debt to “repay one loan by another loan” and increasing their debt burden, instead of helping them pay off debts through policies such as partial withdrawal of MPF contributions, tax rebate, cash payout and waiving payment of provisional tax. Such a measure is a hasty and self-defeating one which will not help relieve people’s burden.

In light of the wave of adverse comments from the community, would the FS reconsider the following immediate relief measures to alleviate the financial difficulties of the public?

- allowing the public to make early and partial withdrawals of their MPF contributions;
- paying MPF contributions for both employers and employees;
- suspending MPF contributions;

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 59)

Reply:

Regarding the suggestions to allow members of the public to make early withdrawal of Mandatory Provident Fund (MPF) accrued benefits and suspend mandatory contributions, the Government considers it not appropriate to pursue after thorough consideration of relevant policy objectives and long-term implications. The MPF System is a long-term saving scheme for retirement. Its design is to allow the steady accumulation of MPF benefits in the MPF accounts for investment and value growth during the working life of scheme members by way of regular contributions. Accrued benefits should be preserved in the system as far as possible and should only be withdrawn upon retirement of the employees. Similarly, mandatory contributions should not be suspended. Therefore, the MPF legislation only allows scheme members to make early withdrawal of accrued benefits before reaching the retirement age under certain exceptional circumstances. Except for

certain exempt persons (e.g. employees or self-employed persons reaching retirement age, or whose relevant income is lower than the statutory minimum relevant income level), there are no provisions in the law providing for the suspension or deferral of part or all of the mandatory contributions. If we were to implement the relevant proposals, it will inevitably undermine the integrity of the MPF System as a long-term and steady retirement saving scheme for accumulation of benefits and value growth.

As for the suggestion for the Government to make MPF contributions for all employers and employees, this is a measure of wider implications. Given the finite public resources, volatile epidemic situation and the unstable external economic environment, the Government has to manage the fiscal situation more prudently and preserve our fiscal strength with a view to coping with unforeseen needs. As the Financial Secretary announced in the 2021-22 Budget, the purpose of setting up a time-limited Personal Loan Guarantee Scheme is to provide a supplementary financing option to help unemployed persons affected by the COVID-19 pandemic tide over their interim difficulty.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)054****(Question Serial No. 1493)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (-) Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in the briefing on the Budget, the Bureau is responsible for “assisting the Financial Secretary in overseeing the Mandatory Provident Fund Schemes Authority (MPFA)”. It is also mentioned under this Programme that the work of the Financial Services Branch includes “formulating policies and/or introducing legislative proposals covering Mandatory Provident Fund (MPF) schemes and occupational retirement schemes”. In this connection, please inform this Committee of the following:

What is the actual amount of management fees charged by each MPF trustee in the past 3 financial years (please list the details)? If no record is kept, what are the reasons? Will the Government formulate policies as soon as possible to require the MPFA to keep proper record of the management fees charged and make such information known to all contributors, thus enabling them to compare the management fees charged and assess whether they are value for money?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 60)

Reply:

To help members of the Mandatory Provident Fund (MPF) schemes to make comparison of different constituent funds and schemes (including their fee level), the average fund expense ratios (FER) of each of the 407 funds under 27 schemes offered by 14 trustees in the MPF System have been uploaded onto the MPF Fund Platform on the Mandatory Provident Fund Schemes Authority's website (https://mfp.mpfa.org.hk/eng/mpp_index.jsp). The MPF Fund Platform can rank and show the expense and fee levels charged by trustee, scheme or fund for comparison with other trustees, schemes or funds. The FER measures the total expenses of a fund as a percentage of the fund's asset value. It includes fees charged by all service providers (e.g. administration trustee/custodian fee, sponsor fee and investment management fee, which are commonly known as 'management fee'). The MPF Fund Platform also provides the breakdown of fee rates charged by each service provider of each fund. Relevant fee information are also disclosed in the MPF scheme brochures (known as

‘offering documents’). The average FER of all MPF schemes in total in the last 3 years are listed below:

Year	Average FER
2018	1.52%
2019	1.46%
2020	1.44%

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)055

(Question Serial No. 1494)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

At the briefing on the Budget, the Financial Services and the Treasury Bureau stated that it was responsibility for “assisting the Financial Secretary in overseeing the Mandatory Provident Fund Schemes Authority (MPFA)”. Under this Programme, the work of the Financial Services Branch includes “formulating policies and/or introducing legislative proposals covering the Mandatory Provident Fund (MPF) schemes and occupational retirement schemes”. Yet, the MPFA has been making investment “losses for 10 consecutive years”, and in a document recently submitted to the Legislative Council, the MPFA also forecasted that there would be a “deficit”. Please inform this Committee:

1. how MPFA's barely satisfactory track record in investment and operation compares with the MPF trustee having the poorest track record in investment; and
2. whether any assessment has been conducted to find out how the successive years of losses sustained by the MPFA, which is responsible for supervising the operation of the MPF system, have negatively impacted the many MPF contributors.

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 61)

Reply:

Since its establishment in 1998 and up till now, the MPFA has been relying mainly on the Capital Grant of \$5 billion provided by the Government and the investment income derived from the Capital Grant for meeting its operating costs. As at end-January 2021, the balance of the Capital Grant provided by the Government was around \$2.6 billion, with the annualized return of investment of the Capital Grant at 4.87%.

Following the charging of the statutory Annual Registration Fees (ARF) on MPF schemes with effect from 1 October 2020, the operating deficit and financial position

of the MPFA will improve. The existing ARF rate of 0.03% per annum, calculated on the basis of the projected net asset value (NAV) of registered MPF schemes, is expected to finance about half of the MPFA's expenditure in the initial years, with the shortfall to be met by the balance of the Capital Grant and investment income therefrom.

The operation and investment of MPFA and the investment performance of MPF trustees are of different nature and objectives. As regards the investment performance of the MPF System, the NAV of the MPF System has exceeded \$1,100 billion as at end-January 2021, of which \$425.8 billion, or about 37%, was investment return net of fees and charges. Since the launch of the MPF System, an annualized return of 5% has been recorded, which is higher than the inflation rate of 1.8% for the same period. This has demonstrated a steady growth of the MPF System which brings positive returns to scheme members.

The Government has asked the MPFA to continue to exercise stringent cost control, optimize the use of existing manpower resources, and review and reengineer its work processes, with a view to ensuring the proper use of the MPFA's resources.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)056****(Question Serial No. 1495)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in the briefing on the Budget, the Bureau is responsible for “assisting the Financial Secretary (FS) in overseeing the Mandatory Provident Fund Schemes Authority (MPFA)”. It is also mentioned under this Programme that the work of the Financial Services Branch includes “formulating policies and/or introducing legislative proposals covering Mandatory Provident Fund schemes and occupational retirement schemes”. There are views that the MPFA’s management is a “club” for retired senior officials and their relatives with high salaries and overly generous remuneration packages. In this connection, please inform this Committee of:

- (1) the top 10 management team members and staff of the MPFA in terms of remuneration (including contract gratuity and bonus) in the past 3 financial years and the new financial year, including their post titles and scope of duties;
- (2) the policies and criteria adopted by the Bureau for monitoring and examining the appointment, level of remuneration and benefits, rate of adjustment to remuneration, as well as performance of the MPFA’s management;
- (3) whether the FS has requested pay reduction for MPFA’s management and hold them accountable for incurring losses in investment for 10 consecutive years.

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 62)

Reply:

- (1) The range of total emoluments of the ten MPFA employees with the highest total emoluments in the last 3 financial years and the new financial year are as below:

Range of total emoluments	Number of employees		
	Year 2018-19	Year 2019-20	Year 2020-21^
\$2,000,001 to \$2,500,000	0	0	2
\$2,500,001 to \$3,000,000	4	4	3

\$3,000,001 to \$3,500,000	1	1	3
\$3,500,001 to \$4,000,000	3	3	1
\$4,000,001 to \$4,500,000	0	0	0
\$4,500,001 to \$5,000,000	1	0	1
\$5,000,001 to \$5,500,000	1	1	0
\$5,500,001 to \$6,000,000	0	1	0
\$6,000,001 to \$6,500,000	0	0	0
Total:	10	10	10

^ Inclusive of fixed salary only

The employees listed in the table above include 5 Executive Directors (Managing Director, Chief Corporate Affairs Officer, Chief Operating Officer, Executive Director (Members), Executive Director (Policy)) and other Director grade officers leading different specialised areas, covering functions and responsibilities of supervision, enforcement, legal, policy development, product regulation, corporate communications, public education and corporate affairs.

As the financial year of 2021-22 is yet to commence, relevant data on the emoluments are not available. Since the MPFA has decided to freeze salary adjustment for the financial year of 2021-22, we expect that the relevant data on emoluments regarding fixed salary would be similar to that of the financial year of 2020-21.

- (2) In accordance with sections 6A, 6B and clause 3 of Part 2 of Schedule 1A of the & Mandatory Provident Fund Schemes Ordinance (Cap. 485), the appointment and the
- (3) terms and conditions of the Managing Director and Executive Directors of the MPFA are determined by the Chief Executive. In general, when handling personnel and appointment matters and determining the remuneration level in respect of the directorate staff of the MPFA, the Government will take into account their job responsibilities and views in relation to the relevant staff member from the Management Board (MB) of the MPFA, the Remuneration Committee (RC) set up under the MB and the Selection Panel established for the relevant recruitment exercise. The Government will also consider factors such as the prevailing economic environment.

The total remuneration of directorate staff of the MPFA mainly comprises fixed salary and variable pay (VP). After considering factors including the performance of the relevant staff member, the MPFA and the RC make a recommendation on the grant of VP to the Government every year. When vetting and approving the grant of VP to directorate staff, the Government will consider their performance and the recommendations by the RC.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)057

(Question Serial No. 1496)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (-) Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is suggested in paragraph 36 of the Budget Speech that a Special 100% Loan Guarantee for Individuals Scheme be set up. When members of the public learned that the Government would roll out the aforesaid Scheme instead of allowing them to withdraw their MPF accrued benefits, most of them were very dissatisfied. In this regard, please advise this Committee of the following:

- (1) At the briefing on the Budget held in the Legislative Council (LegCo) on 25 February, the Financial Secretary mentioned, in his response to a question raised by a Member, that it should not be difficult to introduce amendment to the Mandatory Provident Fund Schemes Ordinance to allow the use of MPF benefits as collateral or for other purposes if LegCo approved it.

Does it mean that there is room for negotiation over proposals relating to, inter alia, early withdrawal of part of the MPF benefits and the use of MPF benefits as collateral?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.:64)

Reply:

Regarding the suggestions to allow members of the public to make early withdrawal of Mandatory Provident Fund (MPF) accrued benefits and use MPF benefits as collateral, the Government considers it not appropriate to pursue after thorough consideration of relevant policy objectives and long-term implications. The MPF System is a long-term saving scheme for retirement. Its design is to allow the steady accumulation of MPF benefits in the MPF accounts for investment and value growth during the working life of scheme members. Accrued benefits should be preserved in the system as far as possible and should only be withdrawn upon retirement of the employees. Therefore, the MPF legislation only allows scheme members to make early withdrawal of accrued benefits before reaching the retirement age under certain exceptional circumstances. If we were to relax the preservation requirement on accrued benefits and allow scheme members to make

early withdrawal to meet short-term financial needs, contingency or as collaterals, the suggestions would essentially invoke the use of MPF and lead to leakage of the accrued benefits from the system from time to time and damage the accumulation for value growth, thereby undermining the integrity of the MPF System and rendering it difficult to achieve the purpose of assisting the working population to save for their retirement.

As the Financial Secretary announced in the 2021-22 Budget, the purpose of setting up a time-limited Personal Loan Guarantee Scheme is to provide a supplementary financing option to help the unemployed persons affected by the COVID-19 pandemic tide over their interim difficulty.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)058

(Question Serial No. 1497)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (-) Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is suggested in paragraph 36 of the Budget Speech that a Special 100% Loan Guarantee for Individuals Scheme be set up. When members of the public learned that the Government would roll out the aforesaid Scheme instead of allowing them to withdraw their MPF accrued benefits, most of them were very dissatisfied. In this regard, please advise this Committee of the following:

- (1) Members of the public are very dissatisfied as the Government did not introduce measures to make cash payment and allow early withdrawal of MPF accrued benefits for purposes such as meeting urgent needs and coping with difficulties. In view of this, will the Financial Secretary comply with the wishes of the public and reconsider proposals relating to, inter alia, the Government's paying MPF contributions on behalf of employers and employees for 6 months and allowing members of the public to withdraw no more than half of their MPF contributions for purposes such as meeting urgent needs?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 65)

Reply:

Regarding the suggestion to allow members of the public to make early withdrawal of Mandatory Provident Fund (MPF) accrued benefits, the Government considers it not appropriate to pursue after thorough consideration of relevant policy objectives and long-term implications. The MPF System is a long-term saving scheme for retirement. Its design is to allow the steady accumulation of MPF benefits in the MPF accounts for investment and value growth during the working life of scheme members. Accrued benefits should be preserved in the system as far as possible and should only be withdrawn upon retirement of the employees. Therefore, the MPF legislation only allows scheme members to make early withdrawal of accrued benefits before reaching the retirement age under certain exceptional circumstances. If we were to relax the preservation requirement

on accrued benefits and allow scheme members to make early withdrawal to meet short-term financial needs or contingency, there would be leakage of the accrued benefits from the system from time to time and damage the accumulation for value growth, thereby undermining the integrity of the MPF System and rendering it difficult to achieve the purpose of assisting the working population to save for their retirement.

As for the suggestion for the Government to make MPF contributions for all employers and employees, this is a measure of wider implications. Given the finite public resources, volatile epidemic situation and the unstable external economic environment, the Government has to manage the fiscal situation more prudently and preserve our fiscal strength with a view to coping with unforeseen needs. As the Financial Secretary announced in the 2021-22 Budget, the purpose of setting up a time-limited Personal Loan Guarantee Scheme is to provide a supplementary financing option to help unemployed persons affected by the COVID-19 pandemic tide over their interim difficulty.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)059

(Question Serial No. 3076)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

After the Financial Secretary (FS) announced on the Budget Day that the rate of Stamp Duty on Stock Transfers would be raised, the local stock market experienced a sharp fall and the southbound capital inflow from the Mainland changed to an outflow after 28 consecutive days of inflow into the local stock market. The FS later explained that adjustments were seen that day in not only the local stock market but also many foreign stock markets.

However, right after the Bloomberg's report on 3 February that "the FS will not rule out the possibility of further raising the rate of stamp duty on stock transfers the increase will not affect the competitiveness of Hong Kong stock market", our stock market reverted to a fall again. I have even received instant messages from veteran investors, questioning why the FS has repeatedly made such reckless remarks and under-estimated their negative impact on the local financial market.

The remarks made by the FS on raising the stamp duty on two occasions have led to a quick fall of the stock market. In view of this, will the FS re-examine the measure to raise the rate of Stamp Duty on Stock Transfers? Has he under-estimated the impact of this measure on the local stock market? Meanwhile, is this measure "at odds with" the national policy of encouraging China Concept Stock companies to return to Hong Kong for fundraising activities?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 10)

Reply:

The Government has proposed in the Budget that the rate of Stamp Duty on Stock Transfers should be revised in order to increase government revenue while maintaining the growth of the financial market and our competitiveness.

The proposed rate of increase has struck a balance between increasing government revenue and the need to sustain our financial market development, in order to maintain Hong Kong's status as an international financial centre. In coming to the above decision, apart from the

impact on transaction cost and the trade, the Government has also taken into account (i) the growth momentum of the stock market as driven by the closer interaction and collaboration between the capital markets in Hong Kong and the Mainland; (ii) the enormous opportunities presented to Hong Kong in connecting global capital flows with the rapidly-expanding real economy in the Mainland; (iii) the strengths of our capital market and the increasing number of quality companies coming to Hong Kong due to the continuous listing reforms; (iv) the development momentum propelled by the return of China Concept Stock companies to Hong Kong for listing; (v) the quantitative easing policy adopted around the world, the sustained low interest rate environment and the continuous capital inflows which have stimulated market turnover; and (vi) the fundamental strengths established by the Hong Kong financial market over the years.

With the continuous development of the securities market in Hong Kong, the number of listed companies has increased by 80%, from 1 413 in 2010 to 2 538 in 2020. Also, the total market capitalisation has grown to \$48 trillion in 2020, up 129% from \$21 trillion in 2010. With the launch of various Stock Connect schemes, coupled with the numerous quality listed companies coming to our market under the new listing regimes, the average daily turnover of the securities market in Hong Kong has surged from \$69 billion in 2010 to \$130 billion in 2020.

Having considered the above factors, the Government's assessment is that the upward adjustment of the rate of Stamp Duty on Stock Transfers from the existing 0.1% to 0.13% (i.e. for every transaction of \$100,000, the increase in stamp duty is \$30 each side) will not compromise the attractiveness and competitiveness of the securities market. If the average daily turnover is maintained at the level of around \$130 billion as recorded over the past year, the full-year additional government revenue that would be brought is \$12 billion. The Government introduced the relevant Bill into Legislative Council on 17 March and proposed the revision to take effect on 1 August.

The competitiveness of each stock market would hinge on various factors, including the depth and breadth of market liquidity, freedom and efficiency of capital inflows and outflows, quality of listed companies in that market, legal system, regulatory standards, etc. Transaction cost is only one of the many factors. The transaction cost structure of stock markets around the world varies. Unlike some markets which charge dividend tax and capital gain tax, Hong Kong does not charge such taxes. As mentioned above, we are committed to pursuing policy reform that would help consolidate our fundamental strengths, enhance market quality and expand mutual market access so that Hong Kong can serve as a robust platform for connecting the Mainland and international markets. The Financial Secretary has announced in the Budget that the Government will continue to spare no efforts in introducing measures to facilitate the development of the securities market, so as to take our financial services sector to the next level. These measures will help enhance the competitiveness of the Hong Kong stock market.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)060

(Question Serial No. 3083)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (-) Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stated in paragraph 36 of the Budget Speech, the Government intends to set up a Special 100% Loan Guarantee for Individuals Scheme. The maximum loan amount per applicant is set at six times of his/her average monthly income, subject to a ceiling of \$80,000.

Some people who have been unemployed for several months would like to ask the Government if a person with bankruptcy record or who is in bankruptcy proceedings is allowed to withdraw the bankruptcy application and then apply for the above \$80,000 loan.

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 40)

Reply:

The Financial Secretary announced in the 2021-22 Budget the proposal to introduce a time-limited 100% Personal Loan Guarantee Scheme (PLGS). The PLGS seeks to provide a supplementary financing option to help unemployed persons affected by the Coronavirus Disease 2019 tide over the interim difficulty.

Unlike commercial loans, there is no requirement under the PLGS for assessing the repayment ability of loan applicants, including no requirement for satisfying any minimum credit rating or having no outstanding default. Loan applicants are required to maintain valid bank accounts, and they must not be subject to any bankruptcy petition or proceedings at the time of loan application. A bankrupt may not directly benefit from taking out a loan under the PLGS, considering that a bankrupt is required by law to vest his/her property with a trustee for administration. Yet, unemployed persons who were previously bankrupt but have been discharged from bankruptcy may apply for loans under the scheme.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)061

(Question Serial No. 3093)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (-) Not Specified

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the Special 100% Loan Guarantee for Individuals Scheme, rumour has been circulating online that some people who have become unemployed for quite some time and have borrowed up to the hilt from banks and finance companies intend to apply for a loan under the Scheme and file for bankruptcy as soon as the loan is approved, so that they can avoid repaying their debt to the Government. Meanwhile, it has also been reported that some people who plan to emigrate intend to apply for a loan under the Scheme, too, and that once the loan is approved, they will emigrate and default on the loan. Please inform this Committee of the following.

- (1) What measures will the Government take to prevent the abuse of the Scheme and the huge number of cases of default and insolvency that may occur and result in Hong Kong becoming “the capital of defaults on payments”?
- (2) If a large number of applicants under the Scheme default on their loans, will the Government take actions to recover the debts from them regardless of the costs? If yes, what are the estimated manpower resources and public expenditure to be involved for these actions?
- (3) In view of the serious unemployment problem caused by the pandemic, if a lot of people (including those who have applied for the aforementioned Scheme) resort to bankruptcy, will the Government reduce the amounts of deposit payable to the Official Receiver's Office and of the court fees, or exempt them from these payments, so that people will not be deeply mired in the vicious cycle of being penniless and therefore unable to file for bankruptcy?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 42)

Reply:

(1) and (2)

The Financial Secretary announced in the 2021-22 Budget the proposal to introduce a time-limited 100% Personal Loan Guarantee Scheme (PLGS). The PLGS seeks to provide

a supplementary financing option to help unemployed persons affected by the Coronavirus Disease 2019 tide over the interim difficulty.

Hong Kong permanent residents aged 18 or above may apply for loans under the PLGS provided they have been unemployed for at least 2 months at the time of loan application and can demonstrate cessation of main recurrent incomes from employment in Hong Kong. Self-employed individuals (only for those who currently do not have any loans or credit facilities guaranteed under the SME Financing Guarantee Scheme), free-lancers, gig or casual workers are also eligible upon the production of a declaration of unemployment and demonstration of a loss of main recurrent incomes. As the PLGS aims to assist unemployed persons with genuine need, loan applicants also need to provide proofs of their previous employment and main recurrent incomes for at least 3 months during the period from January 2020 to the scheme's announcement in February 2021.

Unlike commercial loans, there is no requirement under the PLGS for assessing the repayment ability of loan applicants, including no requirement for satisfying any minimum credit rating or having no outstanding default. Loan applicants are required to maintain valid bank accounts and must not be subject to any bankruptcy petition or proceedings. A bankrupt may not directly benefit from taking out a loan under the PLGS, considering that a bankrupt is required by law to vest his/her property with a trustee for administration.

To ensure proper handling of loans under the PLGS, participating lending institutions (PLIs) will be required to exercise professional expertise, judgement and care in conducting customer due diligence and verification of the eligibility of loan applicants. In addition, the control and safeguard measures applied to the scheme include that (i) an upfront quality assurance sample check will be conducted by the HKMC Insurance Limited (HKMCI) at the application stage; (ii) PLIs will report the repayment history of borrowers to credit reference agencies; and (iii) PLIs will initiate debt recovery actions on defaulted loans according to their existing policies and procedures.

The Government will provide a total commitment of \$15 billion for the PLGS. The commitment is for funding the purchase of loans from the PLIs concerned by the Hong Kong Mortgage Corporation Limited and for covering the associated expenses of around \$1.095 billion, including fees payable to the HKMCI and the PLIs, debt recovery costs, and other necessary out-of-pocket expenses (such as the costs of conducting upfront quality assurance sample check at the loan application stage, audit review and legal fees, etc.). On the basis of an overall assumed default rate of 25%, the expected default loss is estimated to be \$3.75 billion.

(3)

Upon presentation of bankruptcy petition against himself, a debtor is required to make payments which include and paying to the Court a court fee of \$1,045 under the Bankruptcy (Fees and Percentages) Order (Cap.6C) and deposit a sum of \$8,000 with the Official Receiver's Office (ORO) under the Bankruptcy Rules (Cap. 6A). The deposit payable to the ORO is for covering necessary fees and expenses incurred to the ORO when processing the bankruptcy case, such as those for publishing statutory notices, conducting various searches, paying statutory court fees by the ORO for the case.

As regards the suggestion to reduce or waive bankruptcy-related charges, the ORO does not have the discretionary power to waive or reduce the deposit or the court fee. However, section 114(2) of the Bankruptcy Ordinance (Cap. 6) provides that the Court may remit the payment of any particular fee or fees due from any bankrupt, or any part thereof, either absolutely or on such terms as it may think fit. The Court takes into account the circumstances of each individual case in making its decision.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)062

(Question Serial No. 3154)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Programme that the Financial Services Branch is “formulating policies and/or introducing legislative proposals covering the banking system; securities and futures market; asset and wealth management sector; insurance industry; Mandatory Provident Fund schemes and occupational retirement schemes; companies, trusts, money lending, corporate insolvency, individual bankruptcy and accountancy matters; as well as financial co-operation with the Mainland”. Please inform this Committee of:

- (1) the policies adopted by the Bureau to review, monitor and disclose the investment records and returns of MPF trustees (particularly those with poor investment returns for successive years or even losses for years), thereby allowing the contributors to choose the right trustees and consider if they should increase the voluntary contributions amount for tax deduction purpose; and
- (2) the manpower and expenditure involved for the relevant work in the new financial year.

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 58)

Reply:

(1)

The Government and the Mandatory Provident Fund Schemes Authority (MPFA) have been supervising the performance of the Mandatory Provident Fund (MPF) trustees and improving transparency of the MPF fund information through monitoring and enhancing the presentation and disclosure of MPF information.

MPF trustees have fiduciary and governance duties in respect of the monitoring of fund performance. Under the MPF legislation, MPF trustees have to appoint investment manager for each MPF scheme and to supervise the investment manager accordingly. The MPFA would ensure that MPF trustees have put in place effective mechanisms to monitor

and review systematically and regularly the performances of MPF funds, and follow-up actions are taken as and when appropriate in order to fulfil their fiduciary and governance duties. The MPFA also requires MPF trustees to disclose any actions taken to improve underperforming funds in the Investment Report in the Annual Consolidated Report of the MPF scheme so as to improve the transparency of MPF funds.

As regards improving the presentation and disclosure of MPF information, the MPFA requires each trustee to add a pie chart to the Annual Benefits Statement issued to scheme members to illustrate the distribution of fund investment, so as to make the MPF account information clearer and easier to understand. The MPFA also requires each trustee to have an online dashboard on the first page after scheme members login to the trustee's MPF scheme platform, showing the main information of the account such as the latest account balance, net contributions and net transfer-in since inception of the account, account gain/loss since inception of the account, etc. The key information would have to be presented in a simple and uniform format and avoid complicated figures and words, so that scheme members can make better use of the information to actively manage their MPF accounts and investment choices. In addition, the MPFA added an icon "Trustee's Commentary on Fund Performance" in the "Repository of Scheme Documents" of the MPFA's website, so that scheme members can better understand and easily compare the performances of different MPF schemes and funds to facilitate their MPF investment choices.

To further enhance the transparency of MPF funds, enable scheme members' easier comparison of funds and monitor the fund performance, the MPFA launched the online one-stop MPF Fund Platform (the Platform) and the related mobile application in 2019. The Platform provides information on all MPF fund returns in the past 1, 5, 10 years and since launch, and helps sort and compare the performances of funds of the same type in different periods, thereby showing the best and worst performing MPF funds clearly. In addition, the Platform is able to rank the 10 best/worst funds by return or fund expense ratio. Scheme members can analyze and compare the performances and fees of their selected funds with funds of the same type to see whether their existing investment portfolios meet their individual needs for retirement financial planning.

(2)

One supernumerary Administrative Officer Staff Grade C, one Senior Administrative Officer and one Administrative Officer in the Financial Services Branch are responsible for policy and legislative matters relating to MPF Schemes and other retirement schemes, including the work mentioned in part (1) above. We do not have the breakdown for this item.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)063

(Question Serial No. 0957)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary stated in his Budget Speech that a bill would be introduced to raise the rate of Stamp Duty on Stock Transfers, from the current 0.1 per cent to 0.13 per cent of the consideration or value of each transaction payable by buyers and sellers respectively. Please advise this Committee of:

1. the expected date for the introduction of the bill to the Legislative Council;
2. the estimated additional revenue for the Treasury in the next 3 years due to the increase in the stamp duty.

Asked by: Hon WONG Kwok-kin (LegCo internal reference no.: 17)

Reply:

1. The Government published in the Gazette on 5 March 2021 the Revenue (Stamp Duty) Bill 2021 (the Bill) to give effect to the proposal of increasing the rate of Stamp Duty on Stock Transfers announced by the Financial Secretary in the 2021-22 Budget. The Bill was introduced into the Legislative Council (LegCo) for First Reading and commencement of Second Reading debate on 17 March 2021.
2. After the relevant Bill is passed by the LegCo, the increase in the rate of Stamp Duty on Stock Transfers will take effect on 1 August 2021. We estimate that it will bring in an additional \$8 billion revenue in the eight months in financial year 2021-22. The additional revenue in financial year 2022-23 onwards will be \$12 billion each year.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)064

(Question Serial No. 1792)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In 2021-22, the Financial Services Branch (FSB) will “promote the development of green and sustainable finance in Hong Kong”. Please provide the following information:

1. the estimated expenditure to be incurred for the above purpose in the FSB;
2. the specific programmes, their details and the estimated amount of funding involved in table form.

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.:55)

Reply:

The Government will continue to consolidate Hong Kong's position as a green and sustainable finance hub in the region and provide the necessary infrastructure and catalyst to encourage more entities to make use of Hong Kong's capital markets as well as financial and professional services for green and sustainable investment, financing and certification, leveraging the enormous opportunities presented by the Guangdong-Hong Kong-Macao Greater Bay Area development and the Belt and Road Initiative. Specifically, the Government will -

- (1) join hands with the financial sector and relevant stakeholders to take forward the strategic plan announced in end-2020 by the Green and Sustainable Finance Cross-Agency Steering Group to mobilise capital towards sustainable projects in the region and strengthen Hong Kong's financial ecosystem to support a greener and more sustainable future;
- (2) consolidate the existing Pilot Bond Grant Scheme and Green Bond Grant Scheme into a Green and Sustainable Finance Grant Scheme to provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services; and

- (3) issue green bonds regularly, expand the scale of the Government Green Bond Programme and double 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. Retail green bonds will also be issued for the participation of the general public.

The work related to the promotion of green and sustainable finance development is being pursued jointly by the Government and the relevant financial regulators. The related expenses will be absorbed from within existing resources in the Financial Services Branch. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)065****(Question Serial No. 2234)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

During 2021-22, the Financial Services and the Treasury Bureau will continue to promote the development of financial technologies in Hong Kong. Would the Government:

1. inform this Committee of the estimated expenditure of the Financial Services Branch on the aforesaid area of work; and
2. set out, in tabular form, the specific projects, the details, the expenditure involved and the expected roll-out time?

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 56)

Reply:

- 1.&2. As an international financial centre, Hong Kong is an ideal place for Fintech business to grow. The Financial Services and the Treasury Bureau (FSTB) attaches great importance to the development of Fintech, and works closely with relevant government departments, financial regulators and the industry to advance the development of Fintech sector through a variety of measures. Major work is as follows.

Item	Description
Promoting Hong Kong's advantages in Fintech	The FSTB continues to provide funding support to the dedicated Fintech team in InvestHK (Fintech team) for promotion of Hong Kong's advantages in Fintech and attracting Fintech companies and talents from other places to come to Hong Kong. For instance, the annual flagship event, Hong Kong Fintech Week, was held virtually in November 2020 which attracted over 1.2 million viewers from over 130

	<p>economies, with over 18 000 business contacts made. Fintech companies operating in Hong Kong currently have reached over 600, including various Fintech-related laboratories established by international organisations, academic institutions and private entities such as banks and commercial organisations. The revised estimate of the Fintech team in 2020-21 is \$36.96 million. We have earmarked funding to support the relevant work in 2021-22.</p> <p>In addition, the Hong Kong Monetary Authority (HKMA) will collaborate with the Hong Kong Science and Technology Parks Corporation and Cyberport to attract more financial, technology or research institutes to set up laboratories in Hong Kong, with a focus on areas such as regulatory technology and cyber security, where Hong Kong enjoys clear advantages. The HKMA is formulating the related strategies with stakeholders for timely implementation.</p>
Refining the regulatory regime to facilitate the sector's development	<p>The HKMA, the Securities and Futures Commission (SFC) and the Insurance Authority (IA) have established their Fintech regulatory sandbox to allow financial institutions and Fintech companies to test new Fintech products and solutions in a secured regulatory environment with well-defined parameters, as well as to gather data and users' feedbacks, thereby expediting the development process, lowering cost and enhancing product quality. Currently, 8 virtual banks, 4 virtual insurers and 1 virtual asset trading platform have been granted relevant licences and authorization to provide innovative financial services in Hong Kong. To foster the development of more novel financial products, the HKMA is considering enhancing its sandbox by providing "through-train" vetting and funding arrangements for those promising Fintech solutions to reduce the time for the launch of innovative financial products in the market.</p> <p>Furthermore, the HKMA had set out a two-year plan to promote regulatory technology adoption by the banking sector. In its whitepaper published in November 2020 – <i>Transforming Risk Management and Compliance: Harnessing the Power of Regtech</i>, 16 recommendations have been put forth to drive banks in adopting technology to enhance and fulfill their risk management and compliance requirements, with a view to assisting banks to cope with the ever-changing operation mode and relevant regulatory measures.</p>
Improving Fintech infrastructure	<p>The usage of the Faster Payment System (FPS) has been growing rapidly since its launch. We will continue to take forward our work in e-Government to provide convenience to the public, including broadening the application of the FPS for</p>

	<p>payments of government fees and charges so that e payment options will be available for making payments in respect of most government bills and licences starting from mid-2022. In addition, we will proceed with legislation within the year to implement the uncertificated securities market regime and an integrated digital platform named eMPF to improve efficiency, enhance user experience and lower administrative costs.</p> <p>The HKMA will continue to promote the Open Application Programming Interface by the banking sector to facilitate development of new applications to aggregate information of different banks' products and services, so as to provide more convenient service to customers such as product comparisons and consolidation of financial information, etc. On the implementation of trade finance platform eTradeConnect, the HKMA is conducting a study to connect it with the Mainland's Trade Finance Platform to allow banks in the two places to execute trade finance transactions. The HKMA will also develop the Commercial Data Interchange to enable commercial services operators, under the instruction and consent of their corporate customers, to submit customers' data to financial institutions through the data exchange platform so as to assist them in the application for services.</p>
Providing funding to nurture Fintech talent	<p>The FSTB launched the Fintech Proof-of-Concept Subsidy Scheme, which has been opened for application since February 2021, to encourage financial institutions to partner with Fintech companies to conduct proof-of-concept projects on innovative financial services products, and have earmarked \$10 million for the scheme. We entrusted Cyberport to implement the Financial Practitioners FinTech Training Programme last year. The training programme attracted the attendance of over 1 200 financial practitioners from the banking, insurance and securities sectors, which deepened their Fintech understanding, as well as promoted the adoption of Fintech in financial services. We will announce the details of another round of the training programme soon.</p>

The FSTB carried out Fintech related work internally using existing resources.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)066****(Question Serial No. 2924)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The revised estimate of 2020-21 is \$1,481 million, which is \$348 million higher than the original estimate of \$1,133 million, representing an increase as high as 30.7%. Will the Government explain the reasons for the substantial increase in the revised estimate compared to the original estimate?

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 7)

Reply:

Under Programme (1), the revised estimate for 2020-21 will increase by about 348 million as compared with the 2020-21 original estimate. This is mainly due to the increase in cash flow requirement of the general non-recurrent items. Details are as follows –

(A) General Non-recurrent Items

		2020-21 Original Estimate \$'000	2020-21 Revised Estimate \$'000	Changes in cash flow requirement \$'000
1	Funding for promoting and facilitating the development of the financial services sector Purposes and reasons for change in cash flow requirement: This item was mainly for supporting the three-year Pilot Bond Grant Scheme to	160,289	174,339	+14,050

		2020-21 Original Estimate \$'000	2020-21 Revised Estimate \$'000	Changes in cash flow requirement \$'000
	promote the bond market, supporting InvestHK's Fintech team to promote the development of Fintech, and promoting green finance through the Green Bond Grant Scheme, etc. The slight increase in the revised estimate mainly reflects adjustment to the cash flow requirements of different schemes.			
2	<p>Funding requirements for the eMPF Platform for the administration of Mandatory Provident Fund registered schemes</p> <p>Purposes and reasons for change in cash flow requirement:</p> <p>The item is to meet the costs for developing IT infrastructure and software applications and the operating costs of the eMPF Platform Company (as wholly-owned by the Mandatory Provident Fund Schemes Authority) in its initial start-up years in order to implement the eMPF Platform Project. The Original Estimate reflected the cash flow requirements as estimated in the initial preparatory stage of the Project. The Revised Estimate has incorporated the estimated cash flow requirements based on the latest work scope and progress of the Project, etc.</p>	414,788	795,842	+381,054
3	<p>Provision of funding to the Insurance Authority</p> <p>Purposes:</p> <p>This item aims to provide funding to the Insurance Authority (IA) to assist the IA to tide over its projected cash shortfall in the short to medium term and maintain an appropriate level of</p>	300,000	300,000	0

		2020-21 Original Estimate \$'000	2020-21 Revised Estimate \$'000	Changes in cash flow requirement \$'000
	reserve. With this funding, the IA will have adequate resources to dedicate its efforts in promoting and facilitating the development of the insurance industry in Hong Kong. There is no change in cash flow requirement between the 2020-21 original and revised estimates for this item.			
4	<p>Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector</p> <p>Purposes and reasons for change in cash flow requirement:</p> <p>The pilot programme in this item is implemented to enhance talent training for the insurance sector and the asset and wealth management sector, including public education, internship programme for tertiary graduates or undergraduate students, and financial incentives for professional training provided for industry practitioners.</p> <p>The cash flow requirement for 2020-21 is less than the original estimate, mainly due to the impact of the COVID-19 epidemic on some planned activities under the pilot programme (e.g. deferral of training courses) since early 2020.</p>	16,000	7,670	-8,330
Sub-total (A) - general non-recurrent items (1) to (4) above:		891,077	1,277,851	+386,774

The increase in cash flow requirement of the above general non-recurrent commitment items is partly offset by the reduction of the recurrent operational expenses in the 2020-21 revised estimate. Details are as follows:

(B) Recurrent Operational Expenses

		2020-21 Original Estimate \$'000	2020-21 Revised Estimate \$'000	Changes in provision \$'000
5	Recurrent Operational Expenses The decrease is mainly due to the reduction in salary provision for unfilled vacancies in 2020-21 as well as the lesser-than-expected expenses on hire of services and professional fees.	242,338	203,950	- 38,388
Sub-total (B) – recurrent operational expenses item (5) above:		242,338	203,950	- 38,388
Grand Total (A) and (B)		1,133,415	1,481,801	+348,386 (about \$348 million or +30.7%)

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)067****(Question Serial No. 2926)**

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The 2021-22 estimate for financial services is \$2,258 million, which is \$776.2 million higher than the revised estimate for 2020-21, representing an increase as high as 52.4%. As indicated by the Government, the increase in the expenditure is mainly due to the increased cash flow requirement for non-recurrent commitment items. In this connection, will the Government set out in details the non-recurrent commitment items and the expenditure amounts involved?

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 9)

Reply:

Under Programme (1), the estimated expenditure for 2021-22 is \$2,258 million, which is higher than the revised estimate for 2020-21 by about \$776 million. This is mainly due to the increase in cash flow requirement of the general non-recurrent items for 2021-22 by about \$756 million as compared with the 2020-21 revised estimate. Details are as follow –

(A) General Non-recurrent Items

		2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000	Changes in cash flow requirement \$'000
1	Funding for promoting and facilitating the development of the financial services sector	174,339	258,900	+84,561
	Purposes and reasons for change in cash flow requirement:			

		2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000	Changes in cash flow requirement \$'000
	<p>In 2020-21 and before, the item was mainly used for supporting the three-year Pilot Bond Grant Scheme to promote the bond market, supporting InvestHK's Fintech team to promote the development of Fintech, and promoting green finance through the Green Bond Grant Scheme, etc.</p> <p>Starting from 2021-22, this item will provide funding support to the following new schemes: (1) Pilot Insurance-linked Securities Grant Scheme; (2) Green and Sustainable Finance Grant Scheme; (3) Subsidy Scheme for Open-ended Fund Company; and (4) Subsidy Scheme for Real Estate Investment Trusts. The cash flow requirement of this item will therefore increase.</p>			
2	<p>Funding requirements for the eMPF Platform for the administration of Mandatory Provident Fund registered schemes</p> <p>Purposes and reasons for change in cash flow requirement:</p> <p>The item is to meet the costs for developing IT infrastructure and software applications and the operating costs of the eMPF Platform Company (as wholly-owned by the Mandatory Provident Fund Schemes Authority) in its initial start-up years in order to implement the eMPF Platform Project. The increase in the estimated provisions for 2021-22 is mainly for meeting the full-year operating costs of the eMPF Platform Company, as well as settling payments to the contractor for the development of the eMPF Platform which is entering into key development stage in 2021-22 in order to complete the infrastructure work by end-2022 for</p>	795,842	1,762,649	+966,807

		2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000	Changes in cash flow requirement \$'000
	gradual onboarding of MPF trustees and MPF schemes by phases from 2023.			
3	<p>Provision of funding to the Insurance Authority</p> <p>Purposes and reasons for change in cash flow requirement :</p> <p>This item aims to provide funding to the Insurance Authority (IA) to assist the IA to tide over its projected cash shortfall in the short to medium term and maintain an appropriate level of reserve. With this funding, the IA will have adequate resources to dedicate its efforts in promoting and facilitating the development of the insurance industry in Hong Kong.</p> <p>Since the total amount of funding has been provided to the IA in 2020-21, there will be no further cash flow requirement in 2021-22.</p>	300,000	0	-300,000
4	<p>Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector</p> <p>Purposes and reasons for change in cash flow requirement:</p> <p>The pilot programme in this item is implemented to enhance talent training for the insurance sector and the asset and wealth management sector, including public education, internship programme for tertiary graduates or undergraduate students, and financial incentives for professional training provided for industry</p>	7,670	10,200	+2,530

		2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000	Changes in cash flow requirement \$'000
	<p>practitioners.</p> <p>The cash flow requirement for 2020-21 is less than the original estimate, mainly due to the impact of the COVID-19 epidemic on some planned activities under the pilot programme (e.g. deferral of training courses) since early 2020. Taking into account the epidemic situation, we have made suitable adjustments, including conducting activities via videoconferencing, to ensure smooth implementation of the various initiatives under the pilot programme in 2021-22. Therefore, the estimate for 2021-22 is higher than the revised estimate for 2020-21.</p>			
5	<p>Consultancy study for establishing a Risk-based Capital (RBC) Regime</p> <p>Purposes and reasons for change in cash flow requirement:</p> <p>The item was used to pay for a consultancy study on a RBC Regime. To align with international standards and ensure financial stability, the Government, together with the IA, are preparing for the establishment of a RBC regime to replace the existing rule-based regime. The consultancy study aims to evaluate the proposed design of the new regime and its impact on the insurance industry.</p> <p>The fees for the consultancy study will be paid in 2021-22 and are reflected in the cash-flow requirements of that year.</p>	0	2,588	+2,588
Sub-total (A) - general non-recurrent items (1) to (5) above:		1,277,851	2,034,337	+756,486 (about \$756 million)

Apart from the increase in cash flow requirement of the general non-recurrent items as set out above, the remaining portion of the increase (\$19.7 million) is due to the increase in recurrent operational expenses. Details are as follows:

(B) Recurrent Operational Expenses

		2020-21 Revised Estimate \$'000	2021-22 Estimate \$'000	Changes in provision \$'000
6	Recurrent Operational Expenses Increase in salary provision for vacancies expected to be filled in 2021-22 and the increase in departmental expenses (In 2021-22, the establishment of the Financial Services Branch will remain at 114 posts. It is however expected that some of the vacancies in 2020-21 will be filled in 2021-22.)	203,950	223,635	+19,685
Sub-total (B) - recurrent operational expenses item (6) above:		203,950	223,635	+19,685 (about \$19.7 million)
Grand Total (A) and (B)		1,481,801	2,257,972	+776,171 (or +52.4%)

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)068

(Question Serial No. 2927)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

What is the specific work on enhancing the financial co-operation with the Mainland in 2021-22? What is the specific expenditure incurred? How much economic benefit is expected to be brought to Hong Kong by such work?

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 11)

Reply:

The Government has all along attached great importance to the enormous opportunities brought by national development to the financial industry of Hong Kong as well as strengthening financial cooperation with the Mainland for mutually beneficial development. Key work progress and plan include the following –

- (1) Promoting mutual capital market access: Following the announcement in the Policy Address in November last year, we have implemented the expansion of the scope of eligible securities under Southbound Trading of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect from end-December last year to cover pre-revenue / pre-profit biotechnology companies listed in Hong Kong under the new listing regime. At present, 15 pre-revenue / pre-profit biotechnology companies have been covered in the scope of eligible securities under Southbound Trading. The Government and regulators will continue to work with the relevant Mainland authorities step by step to take forward various proposals for expanding the mutual market access programmes and the arrangements for enhancing the programmes;
- (2) Asset and wealth management: The “Opinion on Providing Financial Support for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area” (the Opinion)

supports the participation of Hong Kong's private equity funds in financing Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area) innovation and technology (I&T) companies, allows Hong Kong institutional investors to invest in privately offered equity investment funds and venture investment funds on the Mainland part of the Greater Bay Area through the Qualified Foreign Limited Partnership (QFLP) programme. It also supports the privately offered equity investment funds on the Mainland to invest overseas. The Government established the limited partnership fund regime in August 2020 which allows private equity funds to register and operate in the form of limited partnership in Hong Kong. Within half a year since the inception of the regime, more than 100 funds have been set up. We also plan to submit a legislative proposal in the second quarter of this year to allow foreign investment funds to re-domicile to Hong Kong. These measures are conducive to attracting more private equity funds to conduct financing and investment activities in Hong Kong and the Mainland, especially taking part in the financing of corporates in the I&T field in the Greater Bay Area. We will provide subsidies to Open-ended Fund Companies set up in or re-domiciled to Hong Kong and Real Estate Investment Trusts listed in Hong Kong in the coming three years. Mainland investors, fund managers or property developers could make use of the subsidy schemes to raise funds in Hong Kong. The total provision for the two subsidy schemes during the three-year period would be around \$270 million.

Furthermore, the relevant regulators have been stepping up the preparation work since the announcement of the decision by the People's Bank of China, the Hong Kong Monetary Authority (HKMA) and the Monetary Authority of Macao to implement the two-way wealth management connect scheme in the Greater Bay Area in June 2020. It is planned that for northbound and southbound, there will be an aggregate quota of RMB 150 billion in each direction and an individual investor quota of RMB 1 million. Recently, the regulators of the three places have signed a Memorandum of Understanding on the principles of supervisory cooperation under the scheme, establishing sound supervisory cooperation arrangements and liaison mechanism. The HKMA will continue to work with the relevant authorities with a view to expediting its implementation;

- (3) Risk management and the development of the insurance industry: The Arrangement between the National Development and Reform Commission and the Government of the Hong Kong Special Administrative Region for Advancing Hong Kong's Full Participation in and Contribution to the Belt and Road Initiative signed in December 2017 supports Hong Kong to provide insurance and re-insurance for large-scale infrastructure projects under the Belt and Road Initiative and encourages Mainland enterprises to establish captive insurance companies in Hong Kong. Following the third meeting of the Leading Group for the Development of the Greater Bay Area convened on 6 November 2019, the Central Government announced the policy measure of supporting Mainland insurers to issue catastrophe bonds in Hong Kong. To complement the Belt and Road Initiative and the Greater Bay Area development, as well as to assist the insurance industry to seize the development opportunities arising from national development, we completed a series of legislative work in 2020-21 and rolled out a number of new measures in March 2021. These new measures include (i) providing half-rate profits tax concessions to eligible insurance businesses including

marine insurance and specialty insurance; (ii) establishing a new regulatory regime to facilitate the issuance of insurance-linked securities (ILS), including catastrophe bonds, in Hong Kong; and (iii) expanding the scope of insurable risks of captive insurance companies set up in Hong Kong. To attract insurance enterprises or organisations to issue ILS in Hong Kong, we propose launching a two-year pilot scheme to subsidise their upfront costs of ILS issued in Hong Kong, subject to a cap of \$12 million or \$6 million per issuance depending on the maturity of the ILS. The total provision for this subsidy scheme during the two-year period would be around \$48 million.

We are also actively discussing the implementation details with relevant Mainland authorities to strive for early establishment of after-sales service centres by the Hong Kong insurance industry in the Mainland cities of the Greater Bay Area, with a view to providing Hong Kong, Macao and Mainland residents who are holders of Hong Kong policies with comprehensive support in different areas including enquiries, claims and renewal of policies. We are also striving for early implementation of the “unilateral recognition” policy for Hong Kong motor vehicles entering Guangdong through the Hong Kong-Zhuhai-Macao Bridge control point. This will extend the coverage of third-party insurance policies issued by Hong Kong insurers for these cross-boundary motor vehicles to cover third-party liability in the Mainland, thereby deeming such policies as equivalent to the mandatory traffic accident liability insurance in the Mainland;

- (4) Green and sustainable finance: The “Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area” supports the development of Hong Kong into a green finance centre in the Greater Bay Area. We are also leveraging Hong Kong’s advantage as an international financial centre to promote the development of green and sustainable finance in Hong Kong. The Green and Sustainable Finance Cross-Agency Steering Group promulgated its strategic plan in December 2020, setting out six key focus areas for strengthening Hong Kong’s financial ecosystem including capitalising on Mainland opportunities to develop Hong Kong into a green finance centre in the Greater Bay Area. Under the Government Green Bond Programme (GGBP), we have issued a total of US\$3.5 billion government green bonds so far, setting an important benchmark for potential issuers in Hong Kong and the region. Looking ahead, we will continue to promote more Greater Bay Area institutions to make use of Hong Kong’s capital market for green investment, financing and certification, thereby supporting green enterprises and projects in the Greater Bay Area and promoting the ecological conservation and green development of the country. We will also join hands with the financial sector and relevant stakeholders to take forward the strategic plan, expand the scale of the GGBP and launch a new Green and Sustainable Finance Grant Scheme (with a total provision of around \$255 million for three years) to mobilise capital towards sustainable projects in the region; and
- (5) Financial technology (Fintech): Hong Kong’s sophisticated professional financial services and our close ties with the Mainland and overseas markets provide a conducive environment for Fintech companies and talents in the Greater Bay Area to

develop. We will continue to promote the cross-boundary use of Fintech, including various collaboration of our financial regulators with partners outside Hong Kong, as well as encouraging the Fintech sector to explore and test various Fintech solutions and products with cross-boundary applications related to the Greater Bay Area. We have also provided a higher subsidy for cross-boundary applications in the Fintech Proof-of-Concept Subsidy Scheme launched recently.

The “Outline of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035” (the 14th Five-Year Plan) acknowledges the significant functions and positioning of Hong Kong in the overall development of the country, which includes supporting Hong Kong to enhance its status as an international financial centre, strengthen its status as a global offshore Renminbi business hub, an international asset management centre and a risk management centre, as well as deepening and widening of mutual access between the financial markets of Hong Kong and the Mainland. Under the new development pattern of “dual circulation”, the Government will, in accordance with the content of the 14th Five-Year Plan, make good use of Hong Kong’s connectivity with the Mainland and international market and leverage the enormous opportunities presented by the Greater Bay Area development and the Belt and Road Initiative to contribute to the economic development and opening up of the country, as well as to open up a broader market for the financial sector.

The above work is being pursued jointly by the Government and relevant financial regulators. The Financial Services and the Treasury Bureau has set up a joint working group together with the HKMA, the Securities and Futures Commission and the Insurance Authority to explore how Hong Kong can complement the economic and financial development of our country and meet the needs of international investors, with a view to setting out the development blueprint and putting forward concrete proposals and measures for engagement with the Central Authorities to secure their support. The related expenses will be absorbed from within existing resources in the Financial Services Branch. Except for the aforementioned subsidy and grant schemes, we do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)069

(Question Serial No. 2928)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Would the Government please give an account of its specific work on promoting the development of the bond market in the past 3 years, as well as the economic benefits so brought to Hong Kong? Besides, what will be the specific work on promoting the development of the bond market in 2021-22? How much expenditure will be involved?

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 12)

Reply:

The Government continued to adopt a multi-pronged strategy to promote the development of the bond market over the past 3 years. This includes the regular issuance of government bonds and the implementation of various supporting measures.

The Government issues government bonds systematically through the Government Bond Programme (GBP) and the Government Green Bond Programme (GGBP). During the 3 years from 2018-19 to 2020-21, the Government issued a total of HK\$53.1 billion of institutional bonds and HK\$36 billion of retail bonds (including HK\$21 billion of Silver Bonds and HK\$15 billion of inflation-linked bonds) under the GBP. It also issued US\$3.5 billion institutional bonds under the GGBP.

On supporting measures, the Government launched the Pilot Bond Grant Scheme (PBGS) in May 2018 to attract eligible issuers to issue bonds in Hong Kong. By the end of 2020, 75 applications have been approved involving a total issuance size of about US\$26.3 billion. The Government also launched the Green Bond Grant Scheme (GBGS) in June 2018 to subsidise eligible green bond issuers in obtaining certification under the Green Finance Certification Scheme administered by the Hong Kong Quality Assurance Agency. By end-February 2021, 40 applications have been approved involving a total issuance size of about US\$12.8 billion.

Supported by the measures mentioned above, Hong Kong has grown steadily as an international bond centre in Asia in the past 3 years. According to the International Capital Market Association (an independent global industry body), counting in terms of bonds issued internationally by Asia-based entities (hereafter as “Asian international bond issuances”), the volume arranged by Hong Kong has grown from US\$121 billion in 2018 to US\$196 billion in 2020. Hong Kong is now the largest centre for arranging Asian international bond issuances, capturing 34% of the market in 2020, followed by the US (18%), UK (17%), and Singapore (5%). Hong Kong is also well ahead of other major international financial centres in terms of arranging first-time bond issuance, capturing 75% (US\$18 billion) of the Asian market.

In the 2021-22 Budget, the Government has announced a series of measures to further promote the development of the bond market in Hong Kong, including

- (1) forming a steering group led by the Financial Secretary to formulate a roadmap for promoting the diversified development of Hong Kong's bond market;
- (2) enhancing the efficiency and capacity of the domestic Central Moneymarkets Unit while introducing new functions;
- (3) driving the initiative of Southbound Trading of Bond Connect;
- (4) issuing no less than HK\$15 billion of inflation-linked bonds and HK\$24 billion of Silver Bond, while lowering the eligible age for subscribing Silver Bond from 65 to 60;
- (5) proposing to raise the borrowing limit of the GBP from HK\$200 billion to HK\$300 billion to allow sufficient room for bond issuances;
- (6) planning to issue green bonds regularly while expanding the scale of GGBP and 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. Retail green bonds will also be issued for the participation of the general public; and
- (7) consolidating the PBGS and GBGS into a Green and Sustainable Finance Grant Scheme to provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services.

The expenses related to the GBP will be borne by the Bond Fund. All expenses incurred due to the issuance of the government green bonds will be met by the Capital Works Reserve Fund. The Green and Sustainable Finance Grant Scheme will last for 3 years and the estimated expenditure is HK\$255 million. The expenses of other measures will be absorbed from within the existing resources.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)070

(Question Serial No. 2929)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Will the Government inform this Committee of the specific measures taken in the past three years for promoting the development of green and sustainable finance in Hong Kong and the economic benefits brought to Hong Kong by such measures? What specific measures and plans are in place for promoting the development of green and sustainable finance in Hong Kong in 2021-22?

Asked by: Hon WONG Ting-kwong (LegCo internal reference no.: 13)

Reply:

Over the past years, the Government has spared no effort in consolidating Hong Kong's position as a green and sustainable finance hub in the region and providing the necessary infrastructure and catalyst to encourage more entities to make use of Hong Kong's capital markets as well as financial and professional services for green and sustainable investment, financing and certification. Key work progress is as follows -

- (1) The Government Green Bond Programme (GGBP) was launched in 2018 with a borrowing ceiling of HK\$100 billion, setting an important benchmark for potential issuers in Hong Kong and the region. A total of US\$3.5 billion green bonds has been issued, which was well received by global investors.
- (2) To attract more green bond issuances and promote market development in Hong Kong, the Green Bond Grant Scheme was launched in June 2018 to subsidise eligible green bond issuers in obtaining certification under the Green Finance Certification Scheme administered by the Hong Kong Quality Assurance Agency. By end-February 2021, 40 applications have been approved involving a total issuance size of about US\$12.8 billion.

- (3) The Green and Sustainable Finance Cross-Agency Steering Group was established in May 2020 and a strategic plan was promulgated in December 2020, setting out six key focus areas for strengthening Hong Kong's financial ecosystem to support a greener and more sustainable future and five near-term action points.

Supported by the above measures, Hong Kong's green and sustainable financial market has been growing in the past few years. In 2019, US\$10 billion of green bonds were arranged and issued in Hong Kong, which was more than three times than that in 2017, with more than half (55%) of the issuers in 2019 being first-time issuers in Hong Kong. A substantial number of Mainland and overseas entities also choose to issue green bonds in Hong Kong. Cumulative green bond issuance amounted to US\$26 billion by the end of 2019. The market has also expanded in terms of both participants and products, with the introduction of a greater variety of green and sustainable finance products, thereby drawing in more institutions and talent to conduct relevant investment, financing and certification activities in Hong Kong, and strengthening our position as the green and sustainable finance hub in the region for the long-term development of our financial services industry.

Looking ahead, the Government will join hands with the financial sector and relevant stakeholders to take forward the strategic plan and continue to mobilise capital towards sustainable projects in the region, leveraging the enormous opportunities presented by the Guangdong-Hong Kong-Macao Greater Bay Area development and the Belt and Road Initiative. We plan to issue green bonds regularly, while expanding the scale of the GGBP and 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. Retail green bonds will be issued for the participation of the general public. A new Green and Sustainable Finance Grant Scheme will also be launched to provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)071

(Question Serial No. 3126)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As proposed in the Budget, a Special 100% Loan Guarantee for Individuals Scheme will be set up for the unemployed to provide them with an extra financing option and the Government will offer a guarantee for loans provided under the scheme. In view of the current employment situation, will the Government consider extending the eligibility criteria of the scheme to cover working people on no-pay leave, freelancers with insufficient work or working people with a sudden drop in income?

Asked by: Hon YIU Si-wing (LegCo internal reference no.: 34)

Reply:

The Financial Secretary announced in the 2021-22 Budget the proposal to introduce a time-limited 100% Personal Loan Guarantee Scheme (PLGS) and provide a total commitment of HK\$15 billion for the scheme.

Hong Kong permanent residents aged 18 or above may apply for loans under the PLGS provided they have been unemployed for at least two months at the time of loan application and can demonstrate cessation of main recurrent incomes from employment in Hong Kong. Self-employed individuals (only for those who currently do not have any loans or credit facilities guaranteed under the SME Financing Guarantee Scheme), free-lancers, gig or casual workers are also eligible upon the production of a declaration of unemployment and demonstration of a loss of main recurrent incomes. Loan applicants also need to provide proofs of their previous employment and main recurrent incomes for at least 3 months during the period from January 2020 to the scheme's announcement in February 2021.

The PLGS seeks to provide a supplementary financing option to help unemployed persons affected by the Coronavirus Disease 2019 tide over the interim difficulty. Having regard to the policy objective of the PLGS, we do not have any plan to extend the PLGS to cover employed and underemployed persons.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)072

(Question Serial No. 3035)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Salina YAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary has suggested setting up a Special 100% Loan Guarantee for Individuals Scheme as a supplementary measure. The Government will offer a guarantee for loans provided under the Scheme. The maximum loan amount per applicant is set at 6 times of his/her average monthly income during employment, subject to a ceiling of \$80,000. There will be a principal moratorium for the first 12 months. Afterwards, the principal and interest can be repaid over a period of up to 5 years with an interest rate fixed at 1 per cent per annum. In this regard, please provide the following information:

1. How soon will the Scheme be launched? What is the application threshold under the Scheme? Which department(s) will be responsible for the Scheme and how many staff members will be involved?
2. How will the Government follow up on and deal with cases in which a person successfully obtained a loan but cannot repay the loan and interest?
3. Will the Government consider extending the Scheme to low-income families or individuals? If yes, what are the details and the number of families or individuals who are expected to benefit from the Scheme? If not, what are the reasons?

Asked by: Hon YUNG Hoi-yan (LegCo internal reference no.: 16)

Reply:

The Financial Secretary announced in the 2021-22 Budget the proposal to introduce a time-limited 100% Personal Loan Guarantee Scheme (PLGS). The PLGS seeks to provide a supplementary financing option to help unemployed persons affected by the Coronavirus Disease 2019 tide over the interim difficulty. Launch of the PLGS is expected in around one month after approval of the Finance Committee of the Legislative Council.

Hong Kong permanent residents aged 18 or above may apply for loans under the PLGS provided they have been unemployed for at least two months at the time of loan application and can demonstrate cessation of main recurrent incomes from employment in Hong Kong.

Self-employed individuals (only for those who currently do not have any loans or credit facilities guaranteed under the SME Financing Guarantee Scheme), free-lancers, gig or casual workers are also eligible upon the production of a declaration of unemployment and demonstration of a loss of main recurrent incomes. Loan applicants need to provide proofs of their previous employment and main recurrent incomes for at least three months during the period from January 2020 to the scheme's announcement in February 2021. Unemployed persons meeting the eligibility criteria mentioned above, regardless of their income levels prior to unemployment, may submit applications.

Unlike commercial loans, there is no requirement under the PLGS for assessing the repayment ability of loan applicants, including no requirement for satisfying any minimum credit rating or having no outstanding default. Loan applicants are required to maintain valid bank accounts and must not be subject to any bankruptcy petition or proceedings. Where a borrower defaults on repayment, the participating lending institution (PLI) as a servicer of the loan will initiate recovery actions having regard to its own policy and usual commercial practice. PLIs will report the repayment history of borrowers under the PLGS to relevant credit reference agencies.

The HKMC Insurance Limited will be the scheme administrator, and loans will be approved by the PLIs. The Financial Services and the Treasury Bureau will coordinate the implementation of the PLGS through its existing manpower resources; no additional staffing resources or expenses will be incurred in the process.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)073

(Question Serial No. 1315)

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Marion CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Between April and July 2019, the Census and Statistics Department conducted a Thematic Household Survey to collect information on the willingness of the Hong Kong population to live in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) for the first time. The findings were released in "Willingness to live in the Guangdong-Hong Kong-Macao Greater Bay Area" in 2020.

1. Upon which bureau/department's request/recommendation was the survey conducted? What was the expenditure?
2. Will the Government provide resources for surveys concerning relevant topics on a regular basis? If yes, will the coverage be extended to collect statistics about the willingness of Hong Kong people to work, study and live in other cities in the GBA, the actual number of Hong Kong people moving to other cities in the GBA, the distribution of the number of people in each city, the duration of stay and personal background to keep abreast of and assess the willingness and needs of Hong Kong people with a view to providing specific policy support?
3. If the Government does not plan to conduct surveys concerning the above topic on a regular basis, does it conduct other systematic surveys and perform statistical analysis to keep abreast of and assess the willingness of Hong Kong people to live in the GBA and their needs with a view to providing specific policy support?

Asked by: Hon CHIANG Lai-wan (LegCo internal reference no.: 72)

Reply:

1. The Census and Statistics Department (C&SD) conducted a round of Thematic Household Survey (THS) during April to July 2019 to collect information on Hong Kong population's willingness to live in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), including living or retiring, working or operating business, studying or taking further studies in the GBA. The topic was proposed by the Policy Innovation and Co-ordination Office. The total contract cost for this topic and two other topics covered in the same round of THS was HK\$2.03 million.
2. & 3. To support policy formulation and review, the Government will collect information on the topics concerned through conducting statistical surveys or other suitable

means. After receiving proposals from policy bureaux and government departments for collecting data on different social topics through the THS, C&SD will review the proposals and coordinate with parties involved for conducting different rounds of THS to collect the required data.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)074

(Question Serial No. 0875)

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not specified

Programme: (-) Not specified

Controlling Officer: Commissioner for Census and Statistics (Marion CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

With regard to the import and export of fresh produce and agricultural and fishery products, please advise on the following:

- (a) the total value of fresh produce and agricultural and fishery products supplied by the Mainland to Hong Kong in the past 3 years (i.e. from 2018-19 to 2020-21);
- (b) the total value of fresh produce and agricultural and fishery products supplied by overseas regions and countries to Hong Kong in the past 3 years (i.e. from 2018-19 to 2020-21);
- (c) the total value of local fresh produce and agricultural and fishery products exported to the Mainland in the past 3 years (i.e. from 2018-19 to 2020-21); and
- (d) the total value of local fresh produce and agricultural and fishery products exported to overseas regions and countries in the past 3 years (i.e. from 2018-19 to 2020-21).

Asked by: Hon HO Chun-yin, Steven (LegCo internal reference no.: 37)

Reply:

- (a) The value of imports of fresh produce and agricultural and fishery products of the Mainland origin to Hong Kong in the past 3 calendar years, i.e. 2018, 2019 and 2020, was about \$8,889 million, \$8,536 million and \$10,256 million respectively.
- (b) The value of imports of fresh produce and agricultural and fishery products of overseas origin to Hong Kong in the past 3 calendar years, i.e. 2018, 2019 and 2020, was about \$25,508 million, \$29,399 million and \$28,851 million respectively.
- (c) Hong Kong had no domestic exports of fresh produce and agricultural and fishery products to the Mainland in the past 3 calendar years, i.e. 2018, 2019 and 2020.
- (d) Hong Kong had no domestic exports of fresh produce and agricultural and fishery products to overseas regions and countries in the past 3 calendar years, i.e. 2018, 2019 and 2020.

Note: Fresh produce and agricultural and fishery products refer to live pigs, live cattle, live goats, live poultry, live fish, vegetables and fruits.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)075

(Question Serial No. 1524)

Head: (26) Census and Statistics Department

Subhead (No. & title): (000) Operational expenses

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Marion CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide:

1. the number of small houses in Hong Kong and the estimated total land area occupied by them; and
2. the numbers of New Territories indigenous households, members of these households, and persons with small house rights in Hong Kong.

Asked by: Hon HO Kwan-yiu, Junius (LegCo internal reference no.: 27)

Reply:

The Census and Statistics Department does not have the relevant statistics.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)076

(Question Serial No. 2535)

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not specified

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Marion CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In view of the COVID-19 epidemic, has the Department drawn up contingency plans for the 2021 Population Census to minimise the impact of the epidemic on the survey? If yes, what are the details? What are the estimated expenses for the procurement of anti-epidemic supplies such as surgical masks, face shields and gloves?

Asked by: Hon LEUNG Mei-fun, Priscilla (LegCo internal reference no.: 46)

Reply:

The Census and Statistics Department (C&SD) will adopt a multi-modal approach in the data collection work of the 2021 Population Census. The data required will be collected through different means, including online questionnaires, telephone interviews and postal returns with pre-paid envelopes. In particular, leveraging on the use of technology, C&SD will deploy more publicity efforts to encourage respondents to provide data through online questionnaires.

In the event of the COVID-19 epidemic persisting, C&SD will adopt the following measures to reduce social contact –

- (i) issuing press releases and additional rounds of reminder letters to encourage respondents to provide data through online questionnaires, telephone interviews or postal returns;
- (ii) arranging census officers to deliver appeal letters with their direct contact numbers to the mail boxes of respondents to encourage responses through telephone interviews; and
- (iii) if the epidemic is severe during the data collection period, suspending face-to-face interviews with respondents.

These measures have been tested to be effective in boosting the response rate of the Pilot Survey conducted in mid-2020.

C&SD will also provide the census officers with sufficient anti-epidemic supplies, including face masks, protective face shields, hand rubs, etc. The estimated expenses for these items are about \$0.8 million.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)077

(Question Serial No. 2093)

Head: (26) Census and Statistics Department

Subhead (No. & title): (-) Not specified

Programme: (6) Labour Statistics

Controlling Officer: Commissioner for Census and Statistics (Marion CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Census and Statistics Department will continue to enhance the labour statistics compilation framework so that comprehensive, timely and reliable statistics can be made available to facilitate related policy reviews and formulation. While new forms of employment such as those related to gig economy and platform work are prevalent nowadays, could the Government inform this Committee whether the Department will provide resources to compile statistics on such new forms of employment to facilitate the review and formulation of relevant policies by the policy bureaux? If yes, what is the amount of resources allocated?

Asked by: Hon MAK Mei-kuen, Alice (LegCo internal reference no.: 90)

Reply:

The Census and Statistics Department (C&SD) conducts the General Household Survey (GHS) on a monthly basis to collect data on labour force characteristics from sampled households for compilation of labour force statistics such as the unemployment rate and the underemployment rate. These labour force statistics cover all persons aged 15 or over, including those engaged in gig economy and platform work. C&SD will deploy existing resources to keep in view the latest international statistical standards and guidelines on measuring these workers and suitably enhance the related statistical systems as appropriate.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)078****(Question Serial No. 0966)**Head: (26) Census and Statistics DepartmentSubhead (No. & title): (-) Not specifiedProgramme: (2) Social StatisticsControlling Officer: Commissioner for Census and Statistics (Marion CHAN)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

The Census and Statistics Department stated in Programme (2) Social Statistics that the provision for 2021-22 is \$371.5 million (152.3%) higher than the revised estimate for 2020-21. This is mainly due to the additional provision for conducting the 2021 Population Census, as well as the increased salary provision for the filling of vacancies and staff changes. Would the Government provide the relevant details and a breakdown of the estimated expenditure?

Asked by: Hon SHIU Ka-fai (LegCo internal reference no.: 27)Reply:

Of the increased provision of \$371.5 million for 2021-22 under Programme (2) Social Statistics, \$347.5 million (94%) is for conducting the 2021 Population Census, and the remaining \$24 million (6%) is mainly the increased salary provision for filling vacancies and staff changes. The increased provision for the 2021 Population Census will be used for the following items:

Item	Increased Provision (\$ million)
Personal emoluments	2.6
Honorarium for temporary field workers	261.4
Staff costs of temporary indoor staff	10.6
Other operating expenses (mainly for procurement of necessary stores and services, implementation of publicity activities, production and posting of mails and administration expenses)	68.5
Office rent and rate	4.4
Total	347.5

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)079****(Question Serial No. 0515)**Head: (26) Census and Statistics DepartmentSubhead (No. & title): (-) Not specifiedProgramme: (-) Not specifiedControlling Officer: Commissioner for Census and Statistics (Marion CHAN)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

One of the development goals of the Government is to promote the development of the Greater Bay Area (GBA). The Census and Statistics Department has been making use of the movement records of Hong Kong permanent residents to compile and release the estimates of Hong Kong residents usually staying in the Guangdong Province.

In this connection, please inform this Committee of the numbers of people working full-time and part-time and students studying full-time and part-time in tertiary institutions in the GBA (excluding Hong Kong). Please provide the statistics in the following table.

	Number of people working full-time	Number of people working part-time	Number of students studying full-time in tertiary institutions	Number of students studying part-time in tertiary institutions
Number of people engaging in the development of the GBA				

Besides, how many people are working and studying in the GBA?

	15-19	20-24	25-29	30-39	40-49	50-59	60+
Number of people working/studying full-time or part-time							

Asked by: Hon TIEN Puk-sun, Michael (LegCo internal reference no.: 9)

Reply:

The Census and Statistics Department (C&SD) does not have statistics on the number and breakdown of Hong Kong residents working or studying in the Mainland (including other cities in the Greater Bay Area). Since 2016, C&SD has been releasing estimates of "Hong Kong residents usually staying in the Guangdong Province". These figures are compiled

based on the movement records of Hong Kong permanent residents and their purposes of stay (e.g. for work, study or settlement) in the Guangdong Province cannot be ascertained.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)080****(Question Serial No. 2813)**Head: (31) Customs and Excise DepartmentSubhead (No. & title): (-) Not SpecifiedProgramme: (1) Control and EnforcementControlling Officer: Commissioner of Customs and Excise (Hermes TANG)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Please list the number of money laundering cases detected by the Customs and Excise Department (C&ED), the number of persons and the value involved in the past 3 years.

Asked by: Hon CHENG Chung-tai (LegCo internal reference no.: 17)Reply:

In the past 3 years, the number of money laundering cases detected by C&ED, the number of persons and the value involved are as follows:

	2018	2019	2020
Number of cases detected	7	7	9
Number of persons involved	11	19	38
Value involved as frozen under “restraint orders” made by court (\$ million)	6	5.6	34.8

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)081

(Question Serial No. 1226)

Head: (116) Official Receiver's Office

Subhead (No. & title): (-) Not Specified

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver (MCKENNA Phyllis)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is estimated that the number of new cases to be handled by the Official Receiver's Office (ORO) will substantially increase from 6 919 in 2020 to 10 336 in 2021. What are ORO's policies of utilising its existing manpower, resources and outsourcing mechanism for efficient and proper administration of the increased case load?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 22)

Reply:

The ORO will keep in view the number of new cases received and will consider appropriate possible measures such as redeployment of departmental resources and where necessary, engagement of temporary staff, to cope with any fluctuations and increase in caseloads. Outsourcing compulsory winding-up cases, a number of debtor-petition bankruptcy cases as well as the preliminary examination of bankrupts to private insolvency practitioners is one of the measures which we will consider.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)082****(Question Serial No. 1228)**Head: (116) Official Receiver's OfficeSubhead (No. & title): (-) Not SpecifiedProgramme: (1) Official Receiver's OfficeControlling Officer: Official Receiver (MCKENNA Phyllis)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Regarding the scheme to outsource bankruptcy cases to practitioners in the private sector, what is the estimated number of bankruptcy cases to be outsourced in the new financial year?

What are the categories of the outsourced cases? Compared with the previous two financial years, what is the difference?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 23)Reply:

For bankruptcy cases, the Official Receiver's Office outsources preliminary examination of bankrupts and a number of debtor-petition summary cases to private insolvency practitioners. The estimated number of bankruptcy cases to be outsourced in 2021-22 and the percentage change as compared with that of 2019-20 and 2020-21 are as follows:-

	2021-22	2020-21		2019-20	
Type of work	No. of cases (Estimated)	No. of cases (Up to Feb 2021)	Percentage increase in 2021-22 (%)	No. of cases	Percentage increase in 2021-22 (%)
Preliminary examination of bankrupt	7 500	6 055	Note	5 524	+36
Debtor-petition summary bankruptcy cases	2 500	1 830	Note	1 270	+97

Note: As the number of cases are not for the whole year, they cannot be directly compared.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)083

(Question Serial No. 3081)

Head: (116) Official Receiver's Office

Subhead (No. & title): (-) Not Specified

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver (MCKENNA Phyllis)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under the prolonged hit of the epidemic, more and more unemployed citizens and heavily indebted employers of closing business are opting for bankruptcy. However, they are deterred from doing so by the excessively high petition fees of up to \$9,045 charged by the Official Receiver's Office (ORO).

Many bankruptcy petitioners who have sought help from me said that they ran out of means and had to borrow from their relatives / friends or even from a finance company to settle the fees charged by the ORO.

In view of the predicament of "no-money-no-bankruptcy" and "bankruptcy reluctantly funded by high-interest loan" complained about by the citizens, what are the ways that the Financial Secretary and the ORO have to assist those bankruptcy petitioners who are unable to afford the bankruptcy fees?

Will the ORO further substantially lower the bankruptcy fees in the new financial year to alleviate the burden of bankruptcy petitioners?

For those who have exhausted sources for loan and run out of money for a bankruptcy petition, will the ORO suggest the Financial Secretary exercise his discretion to allow them to apply for the Special 100% Loan Guarantee for Individuals for funding the necessary expenses of bankruptcy?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 25)

Reply:

Upon presentation of bankruptcy petition against himself, a debtor is required to make payments which include paying to the Court a court fee of \$1,045 under the Bankruptcy (Fees and Percentages) Order (Cap.6C) and depositing a sum of \$8,000 with the ORO under the Bankruptcy Rules (Cap. 6A). The deposit payable to the ORO is for covering necessary fees and expenses incurred to the ORO when processing the bankruptcy case, such as those for publishing statutory notices, conducting various searches and paying statutory court fees by the ORO for the case.

It is a common international practice to require a debtor to pay a deposit upon presentation

of bankruptcy petition against himself. The arrangements in Hong Kong are similar to those adopted in other jurisdictions such as the United Kingdom and Singapore to ensure that the necessary expenses incurred by a debtor's bankruptcy petition against himself do not fall on the general taxpayers.

The ORO does not have the discretionary power to waive or reduce the deposit or the court fee. However, section 114(2) of the Bankruptcy Ordinance (Cap. 6) provides that the Court may remit the payment of any particular fee or fees due from any bankrupt, or any part thereof, either absolutely or on such terms as it may think fit. The Court takes into account the circumstances of each individual case in making its decision.

The Financial Secretary announced in the 2021-22 Budget the proposal to set up a time-limited 100% Personal Loan Guarantee Scheme (PLGS) to provide a supplementary financing option for helping unemployed individuals affected by the pandemic tide over their interim difficulty. Hong Kong permanent residents aged 18 or above meeting the specified eligibility criteria may apply for a loan under the Scheme. Unlike commercial loans, there is no requirement under the PLGS for assessing the repayment ability of loan applicants, including no requirement for satisfying any minimum credit rating or for having no outstanding default. Loan applicants are required to maintain valid bank accounts, and they must not be subject to any bankruptcy petition or proceedings at the time of loan application. Eligible borrowers may determine the use of the loan according to their financial needs.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)084****(Question Serial No. 0930)**Head: (116) Official Receiver's OfficeSubhead (No. & title): (-) Not SpecifiedProgramme: (1) Official Receiver's OfficeControlling Officer: Official Receiver (MCKENNA Phyllis)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

The Official Receiver's Office implements the scheme to contract out summary liquidation cases (each with estimated realisable assets of not more than \$200,000) to practitioners in the private sector. In connection of this, would the Government inform this Committee of:

1. the number of the cases contracted out, the expenditure involved in contracting out the cases, and the monetary amount handled and involved in each case contracted out in the past 3 years;
2. the companies which participated in the scheme of the Government and the number of cases handled by each company in the past 3 years.

Asked by: Hon WONG Kwok-kin (LegCo internal reference no.: 19)Reply:

1. In the past 3 years, the number of summary liquidation cases outsourced to Private Insolvency Practitioners (PIPs) and the amount of expenditure involved are as follows:-

Financial Year	2018-19	2019-20	2020-21 (up to Feb 2021)
Number of cases outsourced to PIPs	197	164	201
Amount of expenditure involved (\$'000)	320	420	190

Generally speaking, the PIPs charge fees from the assets realised on a time cost basis based upon the actual work involved in handling the cases. The Official Receiver's Office does not maintain the value of realizable assets involved in each individual case.

2. The number of PIP firms under the outsourcing scheme for summary liquidation cases and the average number of cases handled by each firm in the past 3 years are as follows:-

Financial Year	2018-19	2019-20	2020-21 (up to Feb 2021)
Number of PIP firms	10	10	8
Average number of cases handled by each firm	20	16	25

Names of the PIP firms under the outsourcing scheme for summary liquidation cases are available on the website of the Official Receiver's Office at

https://www.oro.gov.hk/eng/tender/doc/Notice_of_Award_of_Contract_ORT2019.pdf
and

https://www.oro.gov.hk/eng/tender/doc/Notice_of_Award_of_Contract_ORT2017.pdf.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)085

(Question Serial No. 0931)

Head: (116) Official Receiver's Office

Subhead (No. & title): (-) Not Specified

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver (MCKENNA Phyllis)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. The actual number of new cases handled by the Official Receiver's Office decreased from 8 006 in 2019 to 6 919 in 2020. Has the administration analysed the reasons for the decrease? If yes, please illustrate the reasons.
2. It is estimated that the number of new cases in 2021 will increase to 10 336, while the average active in-house case load per Insolvency Officer at year end is estimated to increase from 141 in 2019 to 189. What are the measures to be implemented by the administration to cope with the increased case load and to avoid protracted case administration or backlog?

Asked by: Hon WONG Kwok-kin (LegCo internal reference no.: 20)

Reply:

1. The number of insolvency cases varies from time to time and it is difficult to attribute the fluctuations to specific factors, though in general the number of new cases is likely to increase if the economic situation deteriorates and the unemployment rate increases, and vice versa. On the other hand, the number of bankruptcy orders made was also affected by the special work arrangements put in place by Judiciary in 2020 due to COVID-19. The Official Receiver's Office (ORO) will closely monitor the situation.
2. The ORO will keep in view the number of new cases received and will consider appropriate possible measures such as redeploying departmental resources and where necessary, engagement of temporary staff, to cope with any fluctuations and increase in caseloads.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)086

(Question Serial No. 0961)

Head: (116) Official Receiver's Office

Subhead (No. & title): (-) Not Specified

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver (MCKENNA Phyllis)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the duties of the Official Receiver's Office (ORO):

1. the ORO carries out investigation into the conduct of bankrupts, directors and officers of insolvent companies and the causes of business failures. Would the Government advise this Committee of the number of the investigation cases completed in the past 3 years by category of investigation results?
2. would the Government advise this Committee of the number of cases in which prosecution of insolvency offenders was conducted and the number of successful prosecutions in the past 3 years?

Asked by: Hon WONG Kwok-kin (LegCo internal reference no.: 21)

Reply:

The Official Receiver has a statutory duty to investigate a bankrupts' affairs and conduct according to the provisions of the Bankruptcy Ordinance (Cap. 6), and to investigate the conduct of directors or officers of wound up companies according to the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) and Companies Ordinance (Cap. 622). Where appropriate, the Official Receiver will prosecute bankrupts and directors for commission of bankruptcy or insolvency-related offences, and/or initiate director's disqualification proceedings against directors for breach of their fiduciary duties or other misconduct.

The number of investigation cases, prosecution summonses and director's disqualification summonses issued, as well as convictions obtained and director's disqualification orders made in the past 3 years are as follows:-

Prosecution

Year	2018	2019	2020
No. of cases with investigation completed	856	738	660
No. of cases with prosecution summonses issued (Note 1)	538	461	444
No. of prosecution summonses issued (Note 1)	587	663	696
No. of convictions obtained	541	623	683

Director's Disqualification

Year	2018	2019	2020
No. of cases with investigation completed	140	145	126
No. of cases with director's disqualification summonses issued (Note 2)	22	41	41
No. of director's disqualification summonses issued (Note 2)	13	29	34
No. of director's disqualification orders made	15	31	45

Note

1. Prosecution of a bankrupt / director may involve more than one offence and thus multiple prosecution summonses may be issued against him/her.
2. For director's disqualification cases, more than one director of the same company may be involved and a person can also be a director of multiple companies. Hence a director's disqualification summons may be issued against multiple directors.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)087****(Question Serial No. 0964)**Head: (116) Official Receiver's OfficeSubhead (No. & title): (-) Not SpecifiedProgramme: (1) Official Receiver's OfficeControlling Officer: Official Receiver (MCKENNA Phyllis)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

The Official Receiver's Office (ORO) monitors the Administrative Panel Scheme for contracting out non-summary liquidation cases (each with estimated realisable assets of more than \$200,000) to practitioners in the private sector. Regarding this, would the Government inform this Committee of:

1. the number of the cases contracted out, the expenditure involved in contracting out the cases, and the monetary amount handled and involved in each case contracted out in the past 3 years;
2. the companies which participated in the scheme of the Government, the number of cases handled by each company, and the monetary amount in each case contracted out in the past 3 years; and
3. whether there was any case in which a company did not meet the contracting-out requirements of the ORO in the past 3 years; if yes, what was the number of cases? How did the ORO handle the situation?

Asked by: Hon WONG Kwok-kin (LegCo internal reference no.: 22)Reply:

1. In the past 3 years, the number of non-summary liquidation cases outsourced to Private Insolvency Practitioners (PIPs) is as follows:

Financial Year	2018-19	2019-20	2020-21 (up to Feb 2021)
Number of non-summary liquidation cases outsourced	14	17	23

Generally speaking, the PIPs charge fees from the assets realised on a time cost basis based upon the actual work involved in handling the cases. The Official Receiver's Office (ORO) does not maintain the value of realisable assets involved in each individual case.

2. The number of PIP firms admitted under the Administrative Panel Scheme and the number of new cases taken up by each firm in the past 3 years are as follows:-

	2018-19	2019-20	2020-21 (up to Feb 2021)
Number of PIP firms as at financial year end	11	10	10
Number of new cases handled by each firm	1 to 2	0 to 4	1 to 4

Note: In the absence of any nomination by creditors and contributories, the liquidator will be nominated for appointment according to a roster system, from the list of PIP firms under the ORO's Administrative Panel Scheme. PIPs' admission to the Administrative Panel Scheme requires a vetting process conducted by an Admission Committee comprising representatives of the ORO and professional bodies. The list is not published.

3. A PIP firm joining the Administrative Panel Scheme may be suspended from the scheme or removed from the list if it is unable to meet the relevant criteria, or observe the requisite requirements. There was no such case in the past 3 years.

- End -