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Replies to initial written questions raised by Legislative Council Members in examining the Estimates of Expenditure 2022-23

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. 0260)

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 Fintech Proof-of-Concept Subsidy Scheme launched last year, it is mentioned in the Budget Speech that a funding of \$10 million will be allocated for launching a new round of the scheme this year. Will the Government inform this Committee of:

1. the numbers of applications and successful applications last year?
2. the number of applications that are expected to benefit from the allocation of new funding?

Asked by: Hon CHAN Chun-ying (LegCo internal reference no.: 25)

Reply:

Last year Government allocated \$10 million to launch the Fintech Proof-of-Concept (PoC) Subsidy Scheme to encourage Fintech companies to put forth innovative and practical Fintech solutions and products to address practical issues faced by financial institutions. The scheme attracted over 160 applications, with 93 projects approved, ranging from WealthTech, RegTech, InsurTech and payment systems; to Environmental, Social and Governance, cross-boundary data analysis, overseas remittances, and many other areas.

With a view to promoting continuous innovation of the sector, we will allocate another \$10 million to launch a new round of the subsidy scheme in 2022. Having reviewed the effectiveness of the last round of the scheme, while the new scheme will continue last year's practice of subsidising individual PoC projects of financial institutions, we will also earmark resources within the allocation to provide for certain number of research projects entailing higher levels of subsidy for applications by research institutions to put forward solutions that can help overcome development bottlenecks faced by the Fintech industry in Hong Kong, thereby supporting the further development of the sector. The number of projects to be benefitted from the scheme would depend on, among other things, the respective number of applications of PoC and research projects, and the scales and approved subsidy amount of the research projects to be undertaken.

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CONTROLLING OFFICER'S REPLY

FSTB(FS)002

(Question Serial No. 0261)

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

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

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 duties of the Financial Services Development Council (FSDC) include promoting Hong Kong's financial services industry and Hong Kong as an international financial centre in the Mainland and overseas. It is mentioned in Matters Requiring Special Attention in 2022-23 that the FSDC will "organise and participate in a wide range of marketing campaigns". In this regard, will this Committee be informed of:

1. the initiatives and content of the marketing campaigns; and
2. the estimated manpower and expenditure to be involved?

Asked by: Hon CHAN Chun-ying (LegCo internal reference no.: 28)

Reply:

1. The Financial Services Development Council (FSDC) will continue its efforts in promoting Hong Kong as an international financial centre in 2022-23, and broaden the array of its marketing and communications initiatives, including continue creating "Hong Kong Success Stories Video Series", partnering with regional and overseas industry associations, and government bodies to organise and participate in marketing events and campaigns such as the Asian Financial Forum, Hong Kong FinTech Week, London City Week and FSDC Industry Exchange Series.

Due to the pandemic, the FSDC has accelerated the usage of digital and social media to promote the FSDC's thought leadership as well as Hong Kong's advantages to its target global audience, resulting in a substantial growth in its followers and website visits. The number of the FSDC's followers on LinkedIn, Twitter and YouTube recorded growth of 421%, 1 388% and 366% respectively from 2020 to 2021. Its website also gained 314 731 page views in 2021 with 83% of them being new visitors. To further extend its reach with different stakeholders, the FSDC has also officially launched its WeChat and will continue to explore new digital channels.

2. The FSDC would implement the planned market promotion work with the existing manpower (a team of 6 staff). The overall marketing budget is \$7.4 million.

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CONTROLLING OFFICER'S REPLY

FSTB(FS)003

(Question Serial No. 0085)

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 Financial Services and the Treasury Bureau's response to my question last year, with the formal launch of the Cross-boundary Wealth Management Connect (Wealth Management Connect), the Bureau would, together with the Insurance Authority, draw on relevant experience and explore further with the 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), the Bureau would persist in seeking to lower 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). In this connection, would the Government inform this Committee of the following:

- a) whether the Bureau has any specific plan to discuss the cross-boundary sale of Hong Kong insurance products with the Mainland authorities now that the Wealth Management Connect was formally launched; if yes, the details;
- b) the progress of seeking to lower the threshold for Hong Kong insurance companies to access the Mainland market; and
- c) the progress of the 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 by Hong Kong will be recognised as equivalent to the mandatory traffic accident liability insurance in the Mainland?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 2)

Reply:

The National 14th Five-Year Plan firmly supports Hong Kong in enhancing its status as an international financial centre and strengthening its function as a risk management centre, as well as deepening and widening of mutual access between the financial markets of the Mainland and Hong Kong, so as to develop a high-quality Guangdong-Hong Kong-Macao

Greater Bay Area (GBA). To this end, the Government, together with the Insurance Authority (IA), has been working with the Mainland authorities to promote implementation of relevant measures, so as to complement the new development pattern of the 14th Five-Year Plan and promote development of the Hong Kong insurance market. Response to the respective parts of the question is as follows –

- a) The initiative to facilitate cross-boundary sale of Hong Kong insurance products involves complex issues such as the cross-boundary flow of capital and interface of regulatory regimes between the Mainland and Hong Kong, and would require in-depth study among relevant parties. At this juncture, we are dedicated to achieving early establishment of the after-sales service centres, so as to provide support services in different areas including enquiries, claims and renewal of policies to GBA residents who are holders of Hong Kong policies. We believe that the experience related to the planning of the after-sales service centres and the implementation of the Cross-boundary Wealth Management Connect will provide useful reference for exploring cross-boundary sale of Hong Kong insurance products. Taking reference of the relevant experience, we will work with the IA to further study the feasibility of promoting cross-boundary sale of Hong Kong insurance products in consultation with the Mainland authorities. We will maintain close communication with the insurance industry in the process.
- b) The Agreement to amend the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) Agreement on Trade in Services has taken effect since 1 June 2020, implementing liberalisation measures which include further relaxation of requirements and restrictions related to Hong Kong insurance companies and insurance intermediaries accessing the Mainland market (e.g. removing the requirements of more than 30 years of establishment experience and over 2 years of establishment of representative office in the Mainland for Hong Kong insurance companies entering the Mainland insurance market, removing requirements including those on average annual business revenue and year-end total assets for Hong Kong insurance brokerage companies setting up wholly-owned insurance brokerage companies in the Mainland, removing requirements of total assets and establishment of representative office in the Mainland for Hong Kong insurance agency companies setting up wholly-owned insurance agency companies in the Mainland, etc.). We will continue to strive to lower the market access threshold, so as to facilitate Hong Kong insurance companies and insurance intermediaries in setting up operations and developing business in the Mainland.
- c) As regards the “unilateral recognition” policy for cross-boundary motor insurance, we are in the final stage of deliberation with the relevant Mainland authorities and regulators, while coordinating with the insurance industry to work out specific details at the technical level. We will take into consideration the progress of orderly resumption of quarantine-free travel between the Mainland and Hong Kong, as well as the “Quota-free Scheme for Hong Kong Private Cars Travelling to Guangdong via the Hong Kong-Zhuhai-Macao Bridge”, and roll out the “unilateral recognition” policy in a timely manner to facilitate Hong Kong vehicles entering Guangdong through the Hong Kong-Zhuhai-Macao Bridge in getting the necessary insurance coverage for driving in the Mainland.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)004

(Question Serial No. 0104)

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 reply to my question raised last year, the Financial Services and the Treasury Bureau (FSTB) stated that in order to strive for early establishment of after-sales service centres by Hong Kong insurance industry in the Mainland cities of the Greater Bay Area, constructive discussion was conducted at a quadripartite meeting involving insurance regulators of Guangdong, Hong Kong, Shenzhen and Macao held in January last year. Besides, the FSTB hoped to make concrete progress in 2021. In this connection, will the Government inform this Committee of the following:

- a) Were there any formal or informal quadripartite meetings held to discuss the establishment of after-sales service centres in the past year? If yes, what is the progress? If no, what are the reasons?
- b) Currently, all the parties have agreed in principle to establish after-sales service centres. If no progress has been made, are there any specific implementation details, such as the implementation timetable, location and operation conditions, yet to be settled?
- c) Although the epidemic situation will inevitably affect the implementation progress, the insurance industry expects that after-sales service centres can be established as soon as possible when the pandemic is over so as to facilitate an early recovery of the industry. If no concrete progress has been made at present, will the FSTB strive to hold a quadripartite meeting as requested by the industry as soon as possible to formulate the specific details?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 1)

Reply:

Together with the Insurance Authority (IA), we have been closely liaising with the relevant Mainland authorities at central and municipal levels to strive for the early establishment of after-sales service centres by Hong Kong insurance industry in Mainland cities of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA).

Following constructive deliberation at the quadripartite meeting involving insurance regulators of Guangdong, Hong Kong, Shenzhen and Macao held in January 2021, the IA has been actively discussing with the Mainland regulators an implementation proposal for establishing the insurance service centres. Currently, the quadripartite insurance regulators have reached in-principle consensus on the implementation proposal.

At the same time, we have been actively promoting early roll out of the initiative through various government-to-government channels, including communication between the HKSAR Government and the relevant central authorities, the Hong Kong/Guangdong Co-operation Joint Conference, the Hong Kong/Shenzhen Co-operation Meeting, etc.

We will maintain close communication with the insurance industry and encourage the industry to work out execution plans in parallel, so as to provide support services in different areas including enquiries, claims and renewal of policies to GBA residents who are holders of Hong Kong policies at various locations as soon as practicable after the implementation proposal is finalized.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)005

(Question Serial No. 0105)

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 tax deduction scheme for annuity premiums and Mandatory Provident Fund voluntary contributions, which has been well received since its launch, has successfully incentivised more people to get prepared for their retirement. However, as pointed out by some industry players, with its maximum tax deductible limit set at \$60,000 (shared by the two deduction items), the scheme fails to address the needs of the public since the deferred annuity premiums alone average more than \$70,000 at present. To attract more people to participate in the scheme, it is proposed that the maximum tax deductible limit be increased to \$120,000. In this regard, would the Government inform this Committee of:

- a) the effectiveness of the scheme, the number of participants and the amount of tax deducted since its launch;
- b) whether the scheme has achieved the expected results;
- c) whether the Bureau has assessed the effectiveness of the scheme with regard to savings in the Government's welfare expenditure in the long run; and
- d) when the scheme, including the proposal to increase the maximum deductible limit, will be comprehensively reviewed and enhanced?

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 3)

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 Mandatory Provident Fund voluntary contributions accounts, subject to a maximum tax deductible limit of \$60,000 each year of assessment per taxpayer. The objective of this tax deduction arrangement is to encourage members of the public to save for their retirement.

For the years of assessment 2019-20 and 2020-21, as at mid-January 2022, deduction of around \$14.3 billion was allowed to around 270 000 counts of taxpayers on their premiums

paid to qualifying deferred annuities and deduction of around \$6.3 billion was allowed to around 210 000 counts of taxpayers on their tax deductible MPF voluntary contributions. The above information reflects that the tax deduction arrangement has provided incentive to encourage members of the public to save for their retirement, and is well received by the public and industries. As the tax deduction arrangement has been launched for a relatively short period of time and is not directly related to welfare expenditure, the Government does not have assessment on the impact of this measure on the Government's welfare expenditure in the long run.

Regarding the tax deduction limit, under the prevailing arrangement, a taxpayer paying tax at the standard rate of 15% can enjoy a maximum of \$9,000 tax saving per year. As at mid-January 2022, of the taxpayers who were allowed tax deduction, around 50% were allowed a tax deduction of less than \$60,000, suggesting that there is still much room for taxpayers to save more for their retirement under the prevailing tax deduction limit. We will monitor the situation and review the arrangement when necessary.

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CONTROLLING OFFICER'S REPLY

FSTB(FS)006

(Question Serial No. 0107)

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 Programme (1), the Bureau will promote the development of the insurance industry, including preparing legislation for the implementation of a Risk-based Capital Regime to align Hong Kong's regulatory regime with international standards, and conducting public consultation on specific content of a Policy Holders' Protection Scheme. The insurance industry however reflects that the business environment has shown signs of deterioration in recent years, making it more difficult for the industry to operate. Yet, with an ever-increasing number of compliance requirements that impose stricter rules in recent years, the industry hopes that the Government will remove barriers and cut red tape, review the regulatory regime, and lift or adjust certain over-stringent measures, so as to facilitate the sustainable development of the industry. In this connection, please advise this Committee on:

- 1) the current and specific progress of preparing legislation for the Risk-based Capital Regime;
- 2) the current and specific progress of the Policy Holders' Protection Scheme;
- 3) whether the Government has examined the compliance requirements of Hong Kong and compared them against those of the other international insurance hubs, and whether the compliance requirements of Hong Kong are too stringent;
- 4) whether the Government has examined the operating environment of the local insurance industry, and whether our compliance requirements are appropriate;
- 5) whether the Government has taken into account the industry's views by reviewing the regulatory regime and lifting or adjusting certain over-stringent measures.

Asked by: Hon CHAN Kin-por (LegCo internal reference no.: 5)

Reply:

We are committed to enhancing the insurance regulatory regimes of Hong Kong, with a view to maintaining market stability, promoting industry development and protecting the interest of policy holders. In the process, we and the Insurance Authority (IA) will make

reference to international standards and the experience of other insurance hubs, pay regard to the operating environment of the insurance industry of Hong Kong and maintain close contact with the insurance industry and other stakeholders, with a view to ensuring our regulatory regimes and compliance requirements move with the times.

Regarding the implementation of the risk-based capital (RBC) regime, the International Association of Insurance Supervisors, as the global standard-setter for the insurance industry, issued in 2011 the Insurance Core Principles (ICPs), which prescribe principles for a risk-based approach for capital adequacy framework. All insurance supervisors are obliged to comply with these ICPs. The implementation of the RBC regime is also one of the recommendations of the International Monetary Fund during its Financial Sector Assessment Programme for Hong Kong in 2013-14. Currently, economies such as the European Union, United Kingdom and Singapore have adopted the RBC regime.

To align Hong Kong's regulatory regimes with international standards, it is necessary for Hong Kong to implement the RBC regime for its insurance industry. This will render the capital requirements imposed on insurers more sensitive to the risks borne, thereby enhancing the financial stability of the insurance companies of Hong Kong and reinforcing Hong Kong's position as an international risk management centre. In the past few years, the IA conducted three rounds of Quantitative Impact Study (QIS) with the industry to collect granular data from individual insurance companies for the purpose of conducting analysis and calibration, so as to ensure that the proposed RBC regime will suit the operating environment of the industry. The IA also consulted the industry on the major legislative proposals in the fourth quarter of last year, and the industry expressed general support. Currently, we are drafting the relevant legislative amendments for introduction into the Legislative Council (LegCo) in the 2022 legislative session.

As for the establishment of the Policy Holders' Protection Scheme (PPS), the objective is to set up compensation funds with comprehensive scope to provide compensation or secure the continuity of insurance contracts in case an insurer becomes insolvent. This would be conducive to maintaining stability of the insurance market. Other mature insurance markets (such as the United Kingdom, Singapore and Canada) also have similar protection schemes in place. The Government has all along worked with the IA to prepare for the establishment of the PPS, with relevant recommendations presented for discussion at the FA Panel in 2018. As the earlier consultancy assessment on the PPS has become outdated, the IA is currently conducting a consultancy study to update relevant parameters and review implications of the current business environment on the design of the PPS (including the initial target fund size, lead time for accumulation, level of compensation, etc.). To adequately consider the views of the industry and policy holders, we will conduct public consultation on the updated specific content of the proposed PPS this year, and report to the LegCo at an appropriate juncture.

The above-mentioned measures are in line with international standards and have been widely adopted by other advanced economies. The industry also generally supports the introduction of these measures to enhance our regulatory regimes, thereby reinforcing Hong Kong's position as an international finance centre. To facilitate a smooth implementation process, the IA will formulate transitional arrangements with regard to the actual situation and discussion with the insurance industry.

To promote industry development, we will continue to work with the IA to enhance our insurance regulatory regimes and review various compliance requirements when necessary. The Government completed in early 2021 several legislative amendment exercises which involved making changes to the regulatory regime to enhance the competitiveness of the insurance industry of Hong Kong, e.g. expanding the scope of insurable risks of captive insurance companies set up in Hong Kong and setting up a dedicated regulatory regime for insurance-linked securities. Moreover, the IA and the Securities and Futures Commission (SFC) streamlined the regulatory approval process of Investment-Linked Assurance Scheme (ILAS) products in late 2021, with the provision of a series of new guidance on enhanced product design and sales practices. A new category of ILAS products with high level of insurance protection (namely Protection Linked Plans) has also been introduced to provide higher mortality protection element with simple and transparent fee structure as well as confined fund choices (including at least one investment choice linked to an SFC-authorized Environmental, Social and Governance fund offered to policy holders), so as to cater for diverse insurance needs.

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CONTROLLING OFFICER'S REPLY

FSTB(FS)007

(Question Serial No. 0067)

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 Hong Kong will deepen mutual access with the Mainland on the financial front. It is also stated under the *Matters Requiring Special Attention in 2022-23* that the Financial Services Branch will advance financial co-operation with the Mainland, including fulfilling the goals set out in the National 14th Five-Year Plan and promoting Hong Kong's efforts in initiatives in relation to the Guangdong-Hong Kong-Macao Greater Bay Area development in respect of the financial services sector. Would the Government please inform this Committee of:

1. the mutual insurance market access schemes launched and the progress of implementation?
2. the mutual insurance market access schemes to be launched in the future?
3. the financial and staffing provision earmarked for promoting mutual insurance market access?

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 1)

Reply:

The National 14th Five-Year Plan firmly supports Hong Kong in enhancing its status as an international financial centre and strengthening its function as a risk management centre, as well as deepening and widening of mutual access between the financial markets of the Mainland and Hong Kong, so as to develop a high-quality Guangdong-Hong Kong-Macao Greater Bay Area (GBA). The Government will follow the new development pattern of the 14th Five-Year Plan, using the GBA development as the entry point to actively promote mutual access of the insurance markets.

Together with the Insurance Authority (IA), we have been closely liaising with the relevant Mainland authorities at central and municipal levels to strive for the early establishment of after-sales service centres by Hong Kong insurance industry in Mainland GBA cities, with a

view to providing GBA residents who are holders of Hong Kong policies with support in different areas including enquiries, claims and renewal of policies.

Following constructive deliberation at the quadripartite meeting involving insurance regulators of Guangdong, Hong Kong, Shenzhen and Macao held in January 2021, the IA has been actively discussing with the Mainland regulators an implementation proposal for establishing the insurance service centres. Currently, the quadripartite insurance regulators have reached in-principle consensus on the implementation proposal.

We are also striving for the early implementation of the “unilateral recognition” policy for cross-boundary motor insurance, so as to facilitate Hong Kong vehicles entering Guangdong through the Hong Kong-Zhuhai-Macao Bridge in getting the necessary insurance coverage for driving in the Mainland.

At the same time, we have been actively promoting early roll out of these initiatives through various government-to-government channels, including communication between the HKSAR Government and the relevant central authorities, the Hong Kong/Guangdong Co-operation Joint Conference, the Hong Kong/Shenzhen Co-operation Meeting, etc.

The Government, together with the IA, continue to liaise with relevant Mainland authorities to explore initiatives that may enhance mutual access on the insurance markets and facilitate the Hong Kong insurance industry to seize business opportunities. At this juncture, we are dedicated to achieving early establishment of the after-sales service centres. We believe that the experience related to the planning of the after-sales service centres and the implementation of the Cross-boundary Wealth Management Connect will provide useful reference for exploring cross-boundary sale of Hong Kong insurance products. Taking reference of the relevant experience, we will work with the IA to further study the feasibility of promoting cross-boundary sale of Hong Kong insurance products in consultation with Mainland authorities. We will maintain close communication with the insurance industry in the process. The expenses related to this area of work will be absorbed within existing resources and we do not have a separate breakdown.

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CONTROLLING OFFICER'S REPLY**FSTB(FS)008****(Question Serial No. 0071)**

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 Pilot Programme to Enhance Training for the Insurance Sector and the Asset and Wealth Management Sector, will the Government inform this Committee of the following:

1. Please provide information, in table form, on the applications and the amounts of reimbursement in respect of the initiatives relating to the asset and wealth management sector under the Programme for the past 3 years.

	2019-2020		2020-2021		2021-2022	
	No. of initiatives with applications filed	Amount approved	No. of initiatives with applications filed	Amount approved	No. of initiatives with applications filed	Amount approved
Promotion and education programme						
Internship programme for undergraduate students						
Financial incentive scheme for professional training						

2. In view of the cancellation of activities and suspension of face-to-face classes due to the epidemic, what enhancement measures have been put in place by the Government to ensure the proper use of the funding under the Programme? If there are such measures, what are the details? If there is none, what are the reasons?

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 7)

Reply:

1. The number of applications and approved allowance amount of “Internship Programme for Undergraduate Students” (SIP) and “Financial Incentive Scheme for Professional Training” (FIS) under Asset and Wealth Management Sector of the “Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector” are listed out below:

	2019-2020		2020-2021		2021-2022	
	No. of application	Approved amount (\$)	No. of application	Approved amount (\$)	No. of application	Approved amount (\$)
SIP	65	666,254	79	877,386	166	1,945,337 (As at February 2022)
FIS	652	1,598,923	620	2,087,124	954	4,011,000 (As at February 2022)

The “Promotion and Education Initiatives” refer to the projects of the implementation agent of the programme (i.e. Hong Kong Securities and Investment Institute) to enhance the public’s understanding of the job nature and career prospects in the asset and wealth management sector through various channels including career fairs, online and social media campaigns and college career seminars. The actual expenditure of 2019-20 and 2020-21 was \$1.1791 million and \$453,246 respectively, while the estimated expenditure of 2021-22 is \$490,000.

2. Taking into account the epidemic situation, we have made suitable adjustments to the implementation plan of the programme, including allowing the subsidised courses under the FIS to be conducted via videoconferencing and extending the deadline for application for allowance from within four months from the end of the course to within five months.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)009

(Question Serial No. 0072)

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 Matters Requiring Special Attention in 2022-23 that the Government will “promote the development of financial technologies in Hong Kong”. This area of work also appeared in last year’s Estimates. Please inform this Committee of: 1. the manpower and financial resources involved in the efforts to promote the development of financial technologies for the past 3 years; 2. the projects introduced and to be introduced, together with the expenditure involved; and 3. the projects directly or indirectly related to InsurTech among those Fintech initiatives stated above and whether dedicated funds will be allocated in the future to promote the development of InsurTech.

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 8)

Reply:

(1) and (2)

The Government strives to promote the development of Fintech in Hong Kong through enhancing financial infrastructure; building a more active Fintech ecosystem; nurturing talents; and strengthening connection and collaboration with the Mainland and overseas markets. Specifically, our key measures in recent years and new initiatives to be rolled out include –

Enhancing financial infrastructure

- (a) promotion to boost the usage of the Faster Payment System, and expansion of its functionalities to support the development of electronic payment. In addition, the Hong Kong Monetary Authority (HKMA) will explore the introduction of more commercial data sources, including data kept by Government departments, for the Commercial Data Interchange. This will enable financial institutions, with the

authorisation by the enterprises, obtain more data for conducting credit assessment, thereby facilitating small and medium enterprises to gain access to more convenient financing services;

- (b) the HKMA is conducting a study on Central Bank Digital Currency (CBDC) as well as proof-of-concept projects with central bank counterparts including those of the Mainland and Thailand on the wholesale application of CBDC. On the retail aspect, in addition to participating in testing the cross-boundary use of e-CNY, the HKMA is also examining the feasibility of issuing e-HKD. It published a technical whitepaper in October last year, inviting the academia and industry to submit comments and expects to come up with an initial view on e-HKD in the middle of this year;

Building the Fintech ecosystem and nurturing talents

- (c) the Financial Services and the Treasury Bureau launched with an allocation of \$10 million last year the Fintech Proof-of-Concept Subsidy Scheme, which, attracted over 160 applications, with 93 projects approved, amongst which 29 were initiatives of insurance companies. To promote continuous innovation of the financial sector, we will allocate another \$10 million for launching a new round of the Subsidy Scheme this year, and would welcome participation of financial institutions, including insurance companies;
- (d) we launched the Fintech Anti-epidemic Scheme for Talent Development in 2020 to provide 1,000 new employment places in various Fintech sectors;
- (e) we would implement a new round of the Financial Practitioners Fintech Training Programme this year to provide Fintech training programmes and tuition fee subsidies for financial practitioners (including those in the insurance sectors), and to subsidise trade associations in the securities and insurance sectors to tailor-make training programmes for their practitioners. The total allocation for the Training Programme is \$2.5 million. Furthermore, to promote professional development of Fintech talents, we will implement the Pilot Scheme on Training Subsidies for Fintech Practitioners to subsidise tuition fees of practitioners who have attained Fintech professional qualifications recognized under the Qualifications Framework; and conduct a consultancy study on developing Fintech professional qualifications for different financial sectors (including the insurance sector). The allocation for the two measures is \$43 million;

Strengthening cooperation with the Mainland and overseas

- (f) implementation of the provision of a one-stop platform through a network between the People's Bank of China (PBoC) and the HKMA for financial institutions and technology companies to conduct pilot trials of cross-boundary Fintech projects concurrently in the two places. In addition, the PBoC and the HKMA will continue to deepen the connection between the eTradeConnect of Hong Kong with the PBoC Trade Finance Blockchain Platform, thereby providing importers and exporters of both places with more comprehensive and convenient trade finance services;

- (g) provision of funding support to the dedicated team in InvestHK for promotion of Hong Kong's advantages in the Mainland and overseas, including the conduct of the annual flagship event "Hong Kong Fintech Week" in the fourth quarter this year, to attract more Fintech companies and talents from different places to develop Fintech business in Hong Kong.

The work related to the promotion of the development of Fintech in Hong Kong is being pursued jointly by the Government and the financial regulators. The related expenses will be absorbed from within existing resources of the Financial Services Branch. Apart from the allocation for above subsidy schemes, we do not have a separate breakdown on the expenditure involved.

(3)

The Insurance Authority (IA) launched two pilot schemes, namely the Insurtech Sandbox and Fast Track, in September 2017 to encourage the sector to innovate. As of February 2022, the IA has approved a total of 27 sandbox applications; all the relevant projects have completed trial and been launched in the market, amongst which 16 are related to virtual onboarding of customers. The IA has also through the Fast Track authorised four virtual insurers to carry on insurance business.

In addition, the IA has set up the Insurtech Facilitation Team (the Team) to provide a platform for exchange of ideas among the trade, Government departments and other regulators, and provide support to the companies interested in developing Insurtech business. The Team is pursuing the framework of the Open Application Programming Interface for the insurance sector. In this regard, the IA has set up a working group with the trade to explore potential use cases of the initiative, with a view to putting it into implementation as soon as practicable to facilitate data sharing amongst the insurance sector, and provide more innovative financial services and customer experience.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)010

(Question Serial No. 0073)

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:

Regarding the work of Financial Services Development Council (FSDC) to promote the insurance industry, will the government inform this Committee:

1. of FSDC's programmes that were related to the insurance industry, as well as the financial resources and the manpower involved in the past 3 years?
2. of FSDC's work to promote mutual access with the Mainland for the insurance industry in the past 3 years?
3. whether FSDC has any work plan to support the development of the insurance industry in 2022-2023? If yes, what are the details? If no, what are the reasons?

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 9)

Reply:

1 & 2

As a high-level, cross-sectoral advisory body to the Government, the Financial Services Development Council (FSDC) adopts a holistic approach in its Board and Committee composition, as well as its key functions in policy research, market promotion and human capital development. Top management of key local, regional, international insurance firms are represented on the FSDC Board and its functional Committees, and they have been instrumental in guiding and directing the Council's work.

In terms of policy research, the FSDC has devoted much attention to the insurance industry, including publishing an industry-specific report entitled "Insuring Hong Kong's Future – Tax Recommendations to Enhance and Grow Hong Kong's Insurance Industry" in March 2020. With a view to promote mutual access with the Mainland, the FSDC published a paper in June 2020 entitled "Hong Kong's Unique Role in Enhancing Financial Connectivity in the Greater Bay Area (GBA)", and recommended further actions to be put in place so as to facilitate the industry in developing

cross-boundary insurance business, including actions to be made to establish insurance service centres in a timely manner, as well as to explore joint development and mutual recognition of cross-boundary insurance products. Suggestions were also made for regulators and the industry to enhance the convenience of currency exchange procedures that could cater for the livelihood needs of GBA residents, while accumulating experience for the coordinated development of cross-boundary insurance business in the long term. In 2021-22, the insurance industry was covered in four of its published reports – namely, “The Oxford Metrica Survey 2021: Hong Kong - the Leading Global Financial Centre”, “Fuelling Further Growth of the Biotech and Healthcare Industries: Leveraging Hong Kong’s financial infrastructure”, “Careers of Tomorrow: Financial Talents in the Digital, Sustainable Economy of Hong Kong”, and “Cybersecurity Strategy for Hong Kong’s Financial Services Industry”.

On the market promotion front, the FSDC has been deploying multiple promotional channels to enhance the profile of Hong Kong’s financial services industry in the past 3 years, highlighting the unique advantages of Hong Kong as a regional insurance hub and global risk management centre. A key presence is its participation in the Asian Insurance Forum, an annual flagship event of the Hong Kong Insurance Authority, to steer discussion on various topical issues such as “Sustainable Future through Financial Connectivity in the Greater Bay Area” and “Positioning of Hong Kong in the Dual Circulation Economic Strategy”. The FSDC also actively organised or participated in other industry events including AsianInvestor’s Insurance Briefing, Hong Kong Insurance Forum 2021, Global Association of Risk Professionals Virtual Risk Convention and Mercer MPF Forum, etc. to explore opportunities in the Mainland.

To introduce the financial services industry to more youngsters in Hong Kong, the FSDC extended its popular Practitioner Speakers Series under the “Talent Amplifier Programme (TAP)” to all university students and young industry professionals starting in early-2021. The webinars covered specific sectors of the financial industry including insurance services. Seasoned industry practitioners were invited to share their career journeys and provide the audience with job seeking advice and overviews of their respective sectors. In addition, Fireside Chat was launched in 2021 to offer discussion opportunities in the form of small groups to understand the latest development of the insurance industry among other financial sectors.

FSDC Career Day has been the FSDC’s flagship TAP events for 8 years which provides an integrated platform for participants to understand different jobs and segments within the financial services industry through experience-sharing by leading practitioners. The popular Career Clinic invites human resources professionals from insurance, FinTech, banking, asset management, private equity, accounting and other sectors to provide students with one-on-one advisory services on CV drafting and interview techniques.

In addition, the FSDC launched the Financial Industry Recruitment Scheme for Tomorrow (FIRST) and Financial Industry Recruitment Scheme for Young Graduates (YOUTH) to create jobs and retain talent for eligible financial services industry (including the insurance industry).

The FSDC currently has 18 staff and an annual budget of about \$32 million. The FSDC does not have break-down on the resources deployed on insurance industry since its work covers a wide range of financial services industry.

3

In 2022-23, the FSDC will continue to enhance the competitiveness of Hong Kong's insurance industry through policy research and market promotion, including exploring research topics related to the insurance industry, and promoting Hong Kong's insurance industry through signature initiatives and partnership industry events. The FSDC is also planning to implement a Talent Amplifier Membership Programme with incentives to enhance the engagement with tertiary students and young professionals when exploring their career path in the financial services industry (including the insurance industry).

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)011

(Question Serial No. 0074)

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 view of the impact of the COVID-19 epidemic on the insurance industry, please provide the following information:

1. whether the Government has assessed the impact of the epidemic on the overall income of the insurance industry; if yes, the details, and if no, the reasons;
2. whether the Government has assessed the impact of border closures on the income of individual insurance agents; if yes, the details, and if no, the reasons;
3. will the Government consider introducing further relief measures by providing cash subsidies to insurance agents who suffer income loss due to border closures; if yes, the details, and if no, the reasons.

Asked by: Hon CHAN Pui-leung (LegCo internal reference no.: 10)

Reply:

The Government has been closely monitoring the impact of the COVID-19 epidemic and relevant anti-epidemic arrangements, including social distancing measures and restriction of cross-boundary travel, on different sectors of the society. Same as other industries, the insurance industry faced challenges from a contraction of commercial activities and reduced demand for services. According to the provisional statistics of the Hong Kong insurance industry in 2021 released by the Insurance Authority (IA), total gross premiums during the period were \$602.7 billion, showing a mild decrease of 0.9% over the corresponding period of 2020. Of this figure, new office premiums of long term business (excluding Retirement Scheme business) in 2021 were \$166.8 billion, representing an increase of 25% from \$133.4 billion in 2020 but a decrease of 3.4% compared with \$172.7 billion in 2019. Information provided by the IA also showed that direct individual long term business derived from Mainland China Visitors plummeted by 98.4% from \$43.4 billion in 2019 to \$0.688 billion in 2021. Depending on their line of business, the business and income of insurance intermediaries may be affected by the aforementioned circumstances to varying extents.

Considering the severe impact of the COVID-19 epidemic on various sectors in the society, the Government has introduced a series of relief measures through the Budget and the Anti-epidemic Fund to support the community over the past two years. Insurance enterprises and practitioners are among the beneficiaries of measures such as the Employment Support Scheme, the Consumption Voucher Scheme, the SME Financing Guarantee Scheme, the 100% Personal Loan Guarantee Scheme, as well as the Temporary Unemployment Relief to be introduced. Concurrently, the IA has rolled out a series of temporary facilitative measures (TFMs) since February 2020 which allows the purchase of relevant insurance products by policy holders through non-face-to-face distribution channels while maintain social distance, thereby facilitating the industry to grasp local demands for protective products. Taking into account industry views, the IA recently announced on 4 March 2022 a further extension of the TFMs until 30 September 2022, as well as an expanded scope of remote on-boarding platforms approved via the Insurtech Sandbox to cover all long term insurance products and a fast track approval process for related applications.

At the same time, the Government is working proactively with regulators to enhance the competitiveness of the insurance industry and to facilitate the industry in exploring business opportunities. In early 2021, the Government completed several legislative exercises which sought, inter alia, to offer half-rate profits tax concessions for selected insurance businesses including those related to marine and specialty insurance, and to expand the scope of insurable risks of captive insurers set up in Hong Kong. The Government also established in early 2021 a dedicated regulatory regime for insurance-linked securities (ILS) and launched a pilot grant scheme, thereby facilitating the issuance of the first ILS in Hong Kong on 1 October 2021. The IA and the Securities and Futures Commission (SFC) also streamlined the regulatory approval process of Investment-Linked Assurance Scheme (ILAS) products in late 2021, providing a series of new guidance on enhanced product design and sales practices. A new category of ILAS products with high level of insurance protection (namely Protection Linked Plans) has been introduced to provide higher mortality protection element with simple and transparent fee structure as well as confined fund choices (including at least one investment choice linked to an SFC-authorized Environmental, Social and Governance fund offered to policy holders), so as to cater for the different needs of policy holders.

To promote mutual access of the insurance markets in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), the Government is working with the relevant Mainland authorities to coordinate implementation details for the early establishment of after-sales service centres by Hong Kong insurance industry in Mainland GBA cities, with a view to providing GBA residents who are holders of Hong Kong policies with comprehensive support in different areas including enquiries, claims and renewal of policies. The Government is also striving for the early implementation of the “unilateral recognition” policy for cross-boundary motor insurance to provide a more convenient channel for relevant Hong Kong vehicles entering Guangdong through the Hong Kong-Zhuhai-Macao Bridge to arrange for the necessary insurance coverage in the Mainland.

The Government will continue to work hand in hand with regulators in helping the insurance industry to tide over these difficult times through a multi-pronged approach, and

to further promote stable development of the Hong Kong insurance market while meeting the society's diverse insurance needs.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)012

(Question Serial No. 0802)

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 Bureau will “promote the development of financial technologies in Hong Kong” in the coming year.

1. What are the estimated resources and manpower required for the above purpose? Will the Government 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 are the details of the promotion measures and plans?
3. How is the collaboration between Hong Kong's Faster Payment System and Mainland's similar payment systems and digital Renminbi projects? And what are the future plans in this respect?

Asked by: Hon CHAN Yung (LegCo internal reference no.: 2)

Reply:

The Financial Services and the Treasury Bureau, through regular liaisoning with the sector and cooperation with the financial regulators, monitor the need of the Fintech sector and room for development in order to formulate corresponding support measures. We strive to promote the development of Fintech in Hong Kong through enhancing financial infrastructure; building a more active Fintech ecosystem; nurturing talents; and strengthening connection and collaboration with the Mainland and overseas markets. Specifically, our major work in 2022-23 includes –

Enhancing financial infrastructure

- (a) we will continue to promote the wider usage of the Faster Payment System (FPS) in Government bill payment, and expansion of its functionalities for commercial transactions to support the development of electronic payment. At the same time, the Hong Kong Monetary Authority (HKMA) and the Digital Currency Institute of the People's Bank of China (PBoC) have completed the first phase of

technical testing of using e-CNY for making cross-boundary payments in Hong Kong at the retail level. The HKMA is discussing with the PBoC the next phase of the technical testing, including the involvement of more banks in Hong Kong, and using the FPS to top up e-CNY wallets;

- (b) the HKMA will continue to examine the feasibility of issuing e-HKD. It published a technical whitepaper in October last year, inviting the academia and industry to submit comments and expects to come up with an initial view on e-HKD in the middle of this year. Furthermore, it is conducting proof-of-concept projects with central bank counterparts including those of the Mainland and Thailand on the wholesale application of Central Bank Digital Currency;
- (c) we will work with the HKMA to explore the introduction of more commercial data sources, including data kept by Government departments, for the Commercial Data Interchange. This will enable financial institutions, with the authorisation by the enterprises, to obtain more data for conducting credit assessment, thereby facilitating small and medium enterprises to gain access to more convenient financing services;

Building the Fintech ecosystem and nurturing talents

- (d) the Financial Services and the Treasury Bureau will launch this year a new round of the Fintech Proof-of-Concept Subsidy Scheme to promote continuous innovation of the financial industry, with an allocation of \$10 million;
- (e) we will also implement a new round of the Financial Practitioners Fintech Training Programme this year to provide Fintech training programmes and tuition fee subsidies for financial practitioners, and to subsidise trade associations in the securities and insurance sectors to tailor-make training programmes for their practitioners. The total allocation for the Training Programme is \$2.5 million. Furthermore, to promote professional development of Fintech talents, we will implement the Pilot Scheme on Training Subsidies for Fintech Practitioners to subsidise tuition fees of practitioners who have attained Fintech professional qualifications recognized under the Qualifications Framework; and conduct a consultancy study on developing Fintech professional qualifications for different financial sectors. The allocation for the two measures is \$43 million;

Strengthening cooperation with the Mainland and overseas

- (f) the PBoC and the HKMA will take forward the provision of a one-stop network for financial institutions and technology companies to conduct pilot trials of cross-boundary Fintech projects concurrently in the two places. In addition, the PBoC and the HKMA will continue to deepen the connection between the eTradeConnect of Hong Kong with the PBoC Trade Finance Blockchain Platform, thereby providing importers and exporters of both places with more comprehensive and convenient trade finance services; and

- (g) the Financial Services and the Treasury Bureau will provide funding support to the FinTech dedicated team in InvestHK for promotion of Hong Kong's advantages in the Mainland and overseas, including organizing the annual flagship event "Hong Kong Fintech Week" in the fourth quarter this year, to attract more Fintech companies and talents from different places to develop Fintech business in Hong Kong.

The work related to the promotion of the development of Fintech in Hong Kong is being pursued jointly by the Government and the financial regulators. The related expenses will be absorbed from within existing resources of the Financial Services Branch. Apart from the allocation for above subsidy schemes, we do not have a separate breakdown on the expenditure involved.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)013

(Question Serial No. 0803)

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 Bureau will “promote the development of green and sustainable finance in Hong Kong in tandem with national and international development” in the coming year.

1. What are the estimated resources and manpower for taking forward the above development? Will the Branch collaborate with other organisations for the promotion work? If yes, what are the organisations involved and the amount of provision to be earmarked?
2. What are the details and plans for the specific initiatives to take forward the development?
3. Regarding the collaboration on carbon emissions trading hubs between Hong Kong and the Mainland, including municipalities in the Greater Bay Area, as well as the effort taken to actively study the development of Hong Kong as a voluntary carbon emissions trading hub, what are the details of the latest progress and future plans?

Asked by: Hon CHAN Yung (LegCo internal reference no.: 3)

Reply:

The Central People's Government has set out in 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 to promote comprehensive green transformation of economic and social development, and endeavour to have carbon dioxide emissions peak before 2030 and achieve carbon neutrality before 2060. In Hong Kong, the Chief Executive announced in her 2020 Policy Address that the Hong Kong Special Administrative Region will strive to achieve carbon neutrality before 2050. The Government has been working in concert with financial regulators and the industry and taking a multi-pronged strategy to promote green and sustainable finance, with a view to contributing to achieving the carbon neutrality goal in the Mainland and in Hong Kong, and consolidating Hong Kong's position as a green and sustainable finance hub in the region.

The Government has successfully issued Government green bonds under the Government Green Bond Programme totalling over US\$7 billion equivalent since May 2019, which were well received by the global investment community. In particular, we issued a total of RMB 5 billion green bonds for the first time in November last year, including a 3-year tranche and a 5-year tranche, setting an important benchmark for potential issuers. The Government also announced in February this year the offering details of the inaugural retail green bond for public subscription. Subject to the development of the epidemic situation, the Government will relaunch the subscription arrangement for the retail green bond in due course for the participation of the general public. We doubled the borrowing ceiling of the Government Green Bond Programme to \$200 billion last year and will, having regard to the market situation, continue to issue green bonds, including RMB green bonds, to provide a pricing reference for the market. We will continue to issue green bonds totalling about US\$4.5 billion or equivalent (i.e. about HK\$35 billion) in 2022-23, including no less than HK\$10 billion of retail green bonds.

The Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) formed by relevant Government bureaux and financial regulators is promoting disclosures aligned with the recommendations of the Task Force on Climate-related Financial Disclosures across relevant sectors no later than 2025 and the suitable adoption of the sustainability disclosure standards to be developed by the International Financial Reporting Standards Foundation. In addition, the International Platform on Sustainable Finance published in November 2021 the Common Ground Taxonomy (CGT) report, which could help define what activities are considered to contribute significantly to climate change mitigation as well as reduce the risk of green washing. The Steering Group will, with the aim of aligning with the CGT, explore developing a green classification framework for adoption in the local market which facilitates easy navigation among the CGT, the Mainland's and the EU's taxonomies, aligning Hong Kong's regulatory standards with international best practice.

The Steering Group launched the Centre for Green and Sustainable Finance in July 2021 to coordinate efforts of financial regulators, industry stakeholders and academia in capacity building and policy development. The Centre will launch information portals on green and sustainable finance data and resources and promote talent development in the industry. The Government also plans to launch a Pilot Green and Sustainable Finance Capacity Building Support Scheme, which aims to provide subsidies for practitioners in the financial and other relevant sectors to participate in green and sustainable finance training and obtain relevant professional qualifications, so as to encourage them to enroll in the relevant training, and help build up the local green and sustainable finance talent pool. According to the current plan, the scheme will cover practitioners in the financial services field and persons from relevant sectors who need to build up their knowledge in green and sustainable finance. Eligible courses or qualifications to be subsidised will be devised after taking into account views of relevant parties and other places' experiences. The scheme will last for 3 years with an estimated provision of \$200 million. Assuming a reimbursement cap of \$10,000 per person, the number of beneficiaries of the scheme would be 20 000.

The Steering Group published in end March 2022 a preliminary feasibility assessment for Hong Kong to pursue carbon market opportunities and is of the view that Hong Kong's success factor in adding value to global carbon markets lies in our close links with the Mainland, which enables us to facilitate global capital flows into the Mainland's carbon

markets. In addition, Hong Kong's green certification services at international level and familiarity with both Mainland and international standards will enable us to serve as a bridge to the world for China which will, in turn, contribute to the development of the carbon market. Specifically, Hong Kong can leverage the work of the relevant international institution on voluntary carbon markets (VCMs) and financial expertise to develop a centralised and on-exchange VCM, so that buyers of carbon credits from Hong Kong, Mainland and overseas can have an additional and transparent purchase channel. Meanwhile, Hong Kong can be a bridge to the world for Mainland China's carbon credits and the underlying projects under the China Greenhouse Gas Voluntary Emission Reduction Programme administered by the Ministry of Ecology and Environment. Hong Kong is the gateway between the Mainland and international markets and has unique institutional advantages in facilitating international capital flows into the Mainland. Hong Kong should leverage its strengths to proactively assist and integrate into national and the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) developments, which are moving towards a comprehensive green transformation.

Based on the assessment, the Steering Group intends to proceed with the following next steps with a view to developing Hong Kong into a regional carbon trading centre:

- (i) develop Hong Kong into a global, high-quality VCM, leveraging Hong Kong's status as a champion of international standards, a facilitator to channel global capital into the Mainland, and an international financial centre with a stable and mature regulatory system;
- (ii) collaborate with relevant authorities and stakeholders to work towards establishing the GBA Unified Carbon Market in line with Mainland policies to strengthen GBA cooperation;
- (iii) explore opportunities to link up international investors with the GBA Unified Carbon Market and potentially the national emissions trading system; and
- (iv) strengthen cooperation with the Guangzhou Futures Exchange (GFEX) on carbon market development to enable Hong Kong to act as the Mainland's offshore risk management centre.

The Steering Group will consider which market and regulatory model would be the most appropriate, and prepare a detailed roadmap, implementation plan and indicative timeline after consulting market experts and relevant authorities.

Separately, the Hong Kong Exchanges and Clearing Limited (HKEX) signed a Memorandum of Understanding (MoU) with GFEX in August 2021 with a view to driving a green and low-carbon market in the GBA and supporting sustainable development through the promotion of exchanges and cooperation in areas such as clearing, technology, marketing and investor educational efforts. HKEX also signed a MOU with the Guangzhou-based China Emissions Exchange in March 2022 to explore cooperation opportunities in carbon finance, including jointly exploring the development of a voluntary carbon emission reduction programme in the GBA, with the aim of supporting the country's efforts to peak carbon emissions and reach carbon neutrality; and working together to share research and experience on carbon market financing and global carbon market standards, to

help boost the internationalisation of the Mainland's carbon market. Moreover, Hong Kong's first carbon futures Exchange Traded Fund (ETF) was listed on the HKEX on 23 March 2022, which extends the coverage of Hong Kong-listed commodity ETFs to carbon credits, an important asset class in the global drive to achieving carbon neutrality.

The work related to promoting the development of green and sustainable finance in Hong Kong is being pursued jointly by the Government and the financial regulators. The related expenses will be absorbed from within existing resources of the Financial Services Branch. Except for the aforementioned pilot capacity building support scheme, we do not have a separate breakdown for other related expenditures.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)014

(Question Serial No. 0344)

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:

The Government is actively implementing the development of professional qualifications recognised under the Qualifications Framework (QF) for Fintech practitioners and will continue to develop Fintech professional qualifications for different financial sectors, thereby promoting comprehensive professional development of Fintech talent. In this regard, will the Government inform this Committee of:

1. the specific work plan for the development of professional qualifications recognised under the QF for Fintech practitioners and the expenditure involved;
2. whether the Government will conduct studies and consultation on the demand for Fintech talent and formulate comprehensive strategies for training the workforce and talent, including setting objectives and a timetable for talent training, and if not, the reasons;
3. whether the Government, in view of the keen market demand for Fintech talent, will further encourage co-operation among the business sector, Fintech companies and tertiary institutions in organising Fintech programmes recognised under the QF, offer scholarships and professional certification to students taking these programmes and subsidies for graduates and in-service practitioners to enrol in short courses, and provide extra incentives for employees in other sectors to switch to the Fintech sector, and if not, the reasons?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 5)

Reply:

(1) and (2)

Through regular liaisoning with the sector and cooperation with the financial regulators, we monitor the need of the Fintech sector and room for development in order to formulate corresponding support measures. Regarding the need for Fintech talent, in response to market need, we are actively implementing the development of professional qualifications

recognized under the Qualifications Framework (the QF) for Fintech practitioners to enable them to obtain widely-recognized and quality-assured qualifications, thereby facilitating their professional development, and expanding the pool of Fintech talents in Hong Kong. In early December 2021, the Hong Kong Monetary Authority (the HKMA) promulgated the Enhanced Competency Framework on Fintech, setting out the core competency standards required of the Fintech practitioners in the banking sector, and the training content. The Hong Kong Institute of Bankers is applying for QF recognition for the six professional qualifications under the above framework, which is expected to be completed this year, and they would become the first batch of Fintech professional qualifications. This year, we will also launch the Pilot Scheme on Training Subsidy for FinTech Practitioners to provide the first batch of practitioners who have attained Fintech professional qualifications with reimbursement of 80 per cent of their tuition fees.

In addition, we will conduct a consultancy study this year, with a view to developing Fintech professional qualifications for different financial sectors. The scope of the study would include reviewing the demand for Fintech talents in different financial sectors, the required competency standards, and based on the study results, putting forth specific recommendations on the establishment of the relevant Fintech professional qualifications and training courses.

The estimated expenditure of the above measures to develop Fintech professional qualifications is about \$43 million.

(3)

The Government encourages cooperation among the academic, financial and Fintech sectors to nurture Fintech talents. At present, many local universities and the Vocational Training Council have launched Fintech-related higher diploma, bachelor and master degree programmes. Starting from the 2018/19 academic year, the designated self-financing undergraduate studies under the Government's "Study Subsidy Scheme for Designated Professions/Sectors" have included Fintech-related courses. Students taking these programmes would receive subsidies. The University Grants Committee has since 2020/21 academic year launched the "Targeted Taught Postgraduate Programmes Fellowships Scheme" as a pilot for five cohorts to provide fellowships to meritorious local students pursuing designated postgraduate programmes in priority areas conducive to the development of Hong Kong. Fintech-related courses are included. Furthermore, the HKMA has launched the "Fintech Career Accelerator Scheme" to collaborate with various agencies to provide Fintech-related internship opportunities for tertiary students; and through the "Industry Project Masters Network" scheme, allow master degree students majoring in Fintech to immerse in Fintech projects, thereby gaining hands-on experience and skills.

We also strive to provide Fintech training to in-service financial practitioners. The Financial Services and the Treasury Bureau engaged the Cyberport to launch the "Financial Practitioners Fintech Training Programme" in 2020, which provided Fintech training courses and course fee subsidies to financial practitioners from various sectors, with a view to enhancing their knowledge of practical application of Fintech. A new round of the Training Programme was launched in February this year. In addition, the Continuing Education Fund subsidises adults who wish to pursue continuing education and training, and

the courses registered under the Fund currently include Fintech-related programmes for selection by those who are interested in pursuing a career in the Fintech sector.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)015

(Question Serial No. 0428)

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 tax concessions would be provided for the eligible family investment management entities managed by single-family offices in a bid to attract overseas family offices to relocate to Hong Kong and create more business opportunities for the financial sector and other professional sectors. In this connection, please inform this Committee of the following:

1. Please list the numbers of multi-family offices and single family offices in Hong Kong. What are the respective concession policies for them?
2. Please list the number of single family offices eligible for the tax concessions and the amount of tax concessions according to estimation.
3. What are the details of the Government's plan to attract overseas family offices, including names and types of programmes, the staff establishment and the expenditure involved?
4. What are the specific progress and outcome of each programme as at the end of last financial year?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 8)

Reply:

(1) and (2)

The population of ultra-high net worth individuals has continued to expand in recent years, which has become an important growth driver of Hong Kong's private wealth management business and family office business. According to the Asset and Wealth Management Activities Survey 2020 published by the Securities and Futures Commission (SFC), Hong Kong's private banking and private wealth management business attributed to family offices and private trusts clients recorded a 46% year-on-year increase to HK\$2,037 billion in 2020. The industry estimated that the wealth of ultra-high net worth individuals in Hong Kong reached US\$1,253 billion in

2020. Hong Kong offers the perfect environment for establishing family offices with its deep pool of international capital, wealth of talents and robust financial infrastructure. Our vision to develop Hong Kong as a family office hub would help the industry seize new business opportunities and reinforce our position as an international asset and wealth management centre.

Since single family offices generally do not need to apply for a licence to operate in Hong Kong, we do not have comprehensive statistics on family offices at present. Notwithstanding the above, the dedicated family office team of Invest Hong Kong (InvestHK) established in June 2021 to provide one-stop services for family offices interested in operating in Hong Kong, has successfully assisted 11 family offices to expand their business in Hong Kong (including 7 Mainland, 3 European and 1 ASEAN family offices) as of February 2022. Highlights of some of the successful cases can be found at the dedicated team's website: <https://www.familyoffices.hk/en/case-studies.html>.

The Financial Secretary announced in his 2022-23 Budget Speech the proposal to provide tax concession for eligible family investment management entities (FIMes) managed by single-family offices. An industry consultation was launched on 8 March and we consulted the Legislative Council Panel on Financial Affairs at its meeting on 4 April. Our proposal would provide eligible FIMes with profits tax exemption on profits generated from qualifying transactions and incidental transactions subject to meeting relevant eligibility criteria.

In compliance with the Organisation for Economic Cooperation and Development's latest international taxation standards, FIMes which would benefit from the proposed tax regime will be required to carry out their core income generating activities (CIGAs) in Hong Kong, including having an adequate number of full-time qualified employees and incurring an adequate amount of operating expenditure for carrying out the CIGAs in Hong Kong during the basis period for the year of assessment concerned. We will also require FIMes to meet a minimum threshold on their assets under management. The proposal would attract family offices to domicile in Hong Kong, thereby generating more demand for investment management and other related professional services, including financial, legal, and accounting services. It will also deepen Hong Kong's funding pool and create more business opportunities for the financial services industry.

While it is difficult to estimate the number of eligible FIMes which will apply for tax concession under the proposed regime and the associated financial implications, we will collect relevant statistics on FIMes' operation in Hong Kong following the implementation of the proposed tax concession regime in order to assess its effectiveness and ensure the policy objective of consolidating Hong Kong's position as a family office hub is achieved.

(3) and (4)

As mentioned above, InvestHK's dedicated team has successfully assisted 11 family offices to expand their business in Hong Kong. To assist family offices with their operation in Hong Kong, the dedicated team will continue to maintain close dialogue

with government departments and regulators such as the SFC and the Immigration Department to support family offices with their operational needs. In addition, the dedicated team also actively organised and participated in 77 seminars, conferences and industry events for family offices and the industry locally and overseas. They range from networking events to provide socialising opportunities for the industry, workshops in partnership with industry organisations on topics of interest, to keynote speeches to promote the unique advantages of Hong Kong as a family office hub. The above legislative work will also help to strengthen Hong Kong's attractiveness as a premium choice for family offices to operate.

InvestHK's dedicated team comprises 8 investment support officers, including 4 investment promotion managers, 1 deputy global head and 3 overseas regional heads. The estimated annual budget is \$17.2 million. The Financial Services Branch is deploying existing manpower resources to handle policy and legislative work on family office.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)016

(Question Serial No. 0522)

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:

Having regard to the new trend of developing low-carbon and sustainable economy, the Government plans to launch a three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme. Under the scheme, subsidies will be provided for the training and acquisition of relevant professional qualifications, so as to encourage practitioners in the financial and other relevant sectors to participate in the training. In this connection, please inform this Committee of the following:

1. How should the policy provide subsidies for companies to cover their training costs? What are the economic benefits brought to Hong Kong by the scheme? What is the expenditure involved?
2. Regarding the continuing professional development/continuing professional training scheme for the financial sector and insurance sector, what are the latest development and specific achievements? Has the scheme been affected by the epidemic, and are there any changes in the estimated expenditure and number of training places?
3. A comprehensive plan for professional development of technology talent in the financial sector will be implemented. What will the \$43 million scheme cover? What kind of innovative financial projects will be involved? Will it include the teaching of programming skills such as DataFrame, backtesting and python?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 12)

Reply:

- 1 The Pilot Green and Sustainable Finance Capacity Building Support Scheme aims to provide subsidies for practitioners in the financial and other relevant sectors to participate in green and sustainable finance training and obtain relevant professional qualifications, so as to encourage them to enroll in the relevant training, and help build up the local green and sustainable finance talent pool. This will support the industry in capturing green finance opportunities and bring long-term economic benefits to Hong Kong. According to the current plan, the scheme will cover practitioners in the

financial services field and persons from relevant sectors who need to build up their knowledge in green and sustainable finance. Eligible courses or qualifications to be subsidised will be devised after taking into account views of relevant parties and other places' experiences. The scheme will last for 3 years with an estimated provision of \$200 million. Assuming a reimbursement cap of \$10,000 per person, the number of beneficiaries of the scheme would be 20 000.

2. The Government is committed to promote talent development of the financial services sector and, through various capacity building schemes, encourage practitioners to enroll in training. Apart from the Pilot Green and Sustainable Finance Capacity Building Support Scheme mentioned above, the Government entrusted the Cyberport to implement the Financial Practitioners Fintech Training Programme with an allocation of \$2.5 million in 2020. In view of the positive feedback from the industry, we launched a new round of the Training Programme in February this year, with the same allocation amount of \$2.5 million, which comprises the Webinars Series and Incentive Scheme. We have entrusted the Cyberport to arrange the Webinars Series for financial practitioners to apply. Practitioners who have successfully completed the courses would be provided a full course fee subsidy. The last round of this training had benefitted more than 1 200 practitioners from the banking, insurance and securities sectors. We expect to benefit more practitioners in the new round making full use of the capacity of web-based learning. Furthermore, trade associations in the securities and insurance sectors may apply under the Incentive Scheme for a one-off direct subsidy to tailor-make training programmes for their practitioners, with the maximum amount of \$100,000 for each approved training programme. We expect that at least 10 trade associations will benefit from the scheme. There are no limits imposed on the number of participating practitioners. We expect to enhance practitioners' knowledge of the practical application of Fintech through the Training Programme, thus accelerating the digital transformation of the financial service to boost the long term competitiveness of our financial services sector.

Besides, the Government has allocated \$100 million to implement the Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector (the Pilot Programme) since 2016, and has subsequently extended the Pilot Programme to 2022-23. In relation to the insurance sector, the Financial Incentive Scheme for Professional Training (FIS) under the Pilot Programme offers subsidies to professional institutions in organising high-quality training courses focusing on functional and topical areas in the insurance trade, so as to encourage insurance practitioners to enhance their professional knowledge. It is also stipulated in the FIS Guidance Notes for Application that subsidised training programmes must be Qualified Continuing Professional Development (CPD) Activities in accordance with Insurance Authority (IA)'s requirements. Thus far, over 12 000 practitioners have taken part in about 240 training courses held under FIS. In view of the COVID-19 epidemic, most of the FIS subsidised training courses were conducted via online platform since January 2020.

Financial regulators also provide general guidance on compliance with the CPD/continuous professional training (CPT) requirements. For example, the Securities and Futures Commission has published the Guidelines on Continuous Professional

Training; the IA has issued the Guideline on Continuing Professional Development for Licensed Insurance Intermediaries and the Mandatory Provident Fund Schemes Authority has issued Guidelines on Continuing Training for Subsidiary Intermediaries. CPD/CPT activities are generally operated by individual companies or educational institutions on a self-financing basis and do not involve public resources or expenditure. In view of the COVID-19 epidemic, CPD/CPT providers may adjust the operation mode of the activities. For example, the IA has relaxed restrictions related to E-learning activities and allowed CPD activities delivered via real-time virtual classrooms, facilitating individual licensed insurance intermediaries to obtain the required CPD hours while maintaining social distance.

3. The estimated expenditure of \$43 million will be used for the development of professional qualifications recognised under the Qualifications Framework for Fintech practitioners to provide them with a recognised and quality-assured qualifications, thereby enriching their professional development, and expanding the pool of Fintech talent in Hong Kong. Specific initiatives include the rolling out of the first batch of Fintech professional qualifications for the banking sector this year. A supplementary Pilot Scheme on Training Subsidy for FinTech Practitioners (Pilot Scheme) will be put in place to provide practitioners who have attained Fintech professional qualifications with reimbursement of 80 per cent of their tuition fees, and around 1 500 places will be offered. Practitioners can take courses related to Fintech professional qualifications for the banking sector co-organised by the Hong Kong Institute of Bankers and local universities, which would cover various innovative Fintech applications, such as artificial intelligence, big data analytics, RegTech; as well as application programmes such as DataFrame, backtesting and python. The estimated expenditure will also be used to conduct a consultancy study this year to develop corresponding Fintech professional qualifications for different financial sectors.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)017

(Question Serial No. 0523)

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:

With regard to the review on the listing requirements, the Government should promptly review the position of the Growth Enterprise Market (GEM) as a fund raising platform for small and medium enterprises (SMEs). It is because since its reform in 2018, the GEM has raised its listing requirements with the streamlined process for GEM Transfers to the Main Board removed, making it more difficult for SMEs to raise funds. In this connection, please inform this Committee of the following:

1. Please provide the number of GEM listing applications, the number of lapsed applications, the total amount of funds raised and the reasons for fundraising;
2. The Hong Kong Exchanges and Clearing Limited has been actively promoting the listing of special purpose acquisition companies, companies with weighted voting rights structures and pre-profit biotech companies in Hong Kong. Please provide the number of companies which have expressed listing interest in Hong Kong, their business operations, the amounts of funds raised through initial public offerings (IPOs) and post-IPO funds raised, broken down by background of the listed companies (i.e. Hong Kong companies, China-affiliated companies and others) in table form;
3. Is there any research conducted on providing a mechanism for innovative SMEs to transfer to the Main Board with reference to the Beijing Stock Exchange? Has assessment been made on the feasibility of the proposal? If yes, please provide the details on the assessment criteria, and if no, the reasons. What is the expenditure involved?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 13)

Reply:

To forge a dynamic and sustainable fundraising platform, the Government together with financial institutes concerned, seek to push forward enhancements to the listing regime on a continuous basis. Since the reform of the Main Board listing regime in 2018, a total of 71 companies have listed under the new regime as at February 2022, raising more than \$570

billion, and accounting for a market capitalisation of over \$8,800 billion. Among them, eight companies have weighted voting rights structures, 48 are pre-revenue or pre-profit biotechnology companies, and 15 are secondarily listed in Hong Kong.

As at February 2022, the Hong Kong Exchanges and Clearing Limited (HKEX) is processing 151 active listing applications for the Main Board. HKEX does not have a separate breakdown of statistics on relevant applications in terms of the company's listing channels, operating business, total amount of funds to be raised, and company background. Detailed information of individual applications have been disclosed on HKEX's website¹.

In the past five years, the number of new applications and inactive applications, including lapsed, rejected, withdrawn and returned applications of the Growth Enterprise Market (or GEM), are set out in the table below:

	2017	2018	2019	2020	2021
New Applications	127	71	45	15	12
Inactive Applications	111	108	81	47	29
• Lapsed	93	94	63	47	26
• Rejected	5	8	8	0	0
• Withdrawn	11	6	10	0	3
• Returned	2	0	0	0	0

HKEX does not maintain separate statistics on the total amount of funds to be raised relating to the applications concerned.

HKEX has commenced its review on the function and positioning of GEM. It will remain open-minded in listening to views with no predetermined stance on relevant issues. During the process, HKEX would make reference to the experiences of similar markets in the Mainland and overseas, including the Beijing Stock Exchange. The goal is to better serve the market through reforming GEM, with a view to reinforcing Hong Kong's overall competitiveness as a global premier listing centre. Relevant work would be taken forward by HKEX and would not involve government expenditure.

- End -

¹ <https://www1.hkexnews.hk/app/appindex.html?lang=zh>

CONTROLLING OFFICER'S REPLY

FSTB(FS)018

(Question Serial No. 0524)

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 the Budget, the efforts to invigorate the bond market will continue. The Government will issue no less than \$15 billion of iBond (inflation-linked retail bonds), no less than \$35 billion of Silver Bond and no less than \$10 billion of retail green bonds. In this connection, will the Government advise this Committee on the following:

1. The Steering Committee on Bond Market Development in Hong Kong has recommended expanding the issuance of green bonds, Renminbi (RMB) bonds and Hong Kong Dollar bonds with longer tenor. Please give details of the proposal to be considered, including the scale of issuance of bonds, the timetable and the estimated expenditure for the above purpose.
2. Hong Kong's offshore RMB market is the largest in scale, with offshore RMB deposits in Hong Kong amounting to over \$800 billion, which account for about 60% of the offshore RMB deposits in the world. What is the next step to be taken by the Government to promote the development of offshore RMB products? What are the specific work plans in respect of RMB wealth management products and bonds in particular? What economic benefits will be brought to Hong Kong and what is the expenditure involved?
3. With members of the public getting to know more and more about bonds, has the Government considered allowing retail customers to subscribe for bonds with high credit rating? What economic benefits will be brought to Hong Kong and what is the expenditure involved?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 14)

Reply:

- (1) One of the recommendations of the Steering Committee on Bond Market Development in Hong Kong (Steering Committee) is that the Government should consider expanding the issuance of green bonds, Renminbi (RMB) bonds and Hong Kong Dollar bonds with longer tenor through the existing Government Bond Programme (GBP) and Government Green Bond Programme (GGBP) to foster the development of

local RMB and green bond markets and the formation of local yield curves. To take forward the recommendation, the Government will increase the amount of government bond issuances. Specifically, on green bonds, we plan to issue green bonds totalling about US\$4.5 billion or equivalent (i.e. about HK\$35 billion) in 2022-23, including no less than HK\$10 billion of retail green bonds. On RMB bonds, the Government issued a total of RMB 5 billion green bonds for the first time in November last year, including a 3-year tranche and a 5-year tranche. We also doubled the borrowing ceiling of the Government Green Bond Programme to HK\$200 billion last year and will, having regard to the market situation, continue to issue green bonds, including RMB green bonds, to provide a pricing reference for the market. On Hong Kong dollar-denominated bonds, at present, the Government issues Hong Kong dollar institutional bonds with tenors ranging from 1 to 15 years on a regular basis. We plan to issue bonds with over 15-year tenor in the future to build a longer Hong Kong dollar yield curve. The Government has been formulating the scale and schedule of bond issuances having regard to market conditions and other factors. We will announce the relevant details accordingly through the existing channels, including the Government Bonds website. The bond issuance expenses of the GBP will be borne by the Bond Fund and those of the GGBP will be borne by the Capital Works Reserve Fund. Other expenses such as manpower expenses will be absorbed from within the existing resources.

- (2) We will continue to explore with the industry and relevant Mainland authorities expansion of channels for the two-way flow of cross-boundary RMB funds, development of offshore RMB products and tools as well as the measures to facilitate the issuance of offshore RMB bonds. We will enhance and widen the mutual market access between the Mainland and Hong Kong and strive for greater policy room for Hong Kong financial institutions to expand their RMB business. We will also further support the development of Hong Kong's offshore RMB, with a view to consolidating Hong Kong's status as a global offshore RMB business hub.

Specifically, we will explore enhancements to Southbound Trading under Bond Connect, with a view to expanding Hong Kong's bond market, facilitating the issuance and trading of more diverse dim sum bonds and enriching the offshore RMB fixed income ecosystem.

Last year, the Shenzhen Municipal People's Government issued offshore RMB municipal government bonds totalling RMB 5 billion in Hong Kong, including green bonds. In respect of interest paid or profit received arising from the debt instruments issued in Hong Kong by the Shenzhen Municipal People's Government, we will exempt the payment of profits tax. This is the first time a Municipal People's Government issues bonds in Hong Kong, testifying to the strength of Hong Kong's platform for the issuance of RMB bonds, including green bonds.

In addition, in light of actual operational experience and market feedback, we will continue to liaise closely with the relevant authorities in the Mainland and stakeholders with a view to enhancing the Cross-boundary Wealth Management Connect in the Guangdong-Hong Kong-Macao Greater Bay Area in an incremental manner, such as allowing more participating financial institutions, raising quota, expanding product scope, and improving sales arrangements, etc.

The working group formed by the Securities and Futures Commission, the Hong Kong Exchanges and Clearing Limited and the Hong Kong Monetary Authority has completed the feasibility study on expanding the use of the RMB in stock market transactions in Hong Kong and allowing stocks traded via the Southbound Trading of Stock Connect to be denominated in RMB, and put forth recommendations on detailed implementation. The working group will start making preparations in this regard, and will discuss with the regulatory authorities and relevant organisations in the Mainland. The Government stands ready to roll out supporting measures such as waiving the stamp duty on stock transfers paid by market makers in their transactions, so as to increase the liquidity of RMB-denominated stocks.

The Bureau's expenses on promoting the offshore RMB business in Hong Kong will be absorbed from within the existing resources.

- (3) We have been committed to promoting the development of retail bonds and have significantly increased the issuance size of Government retail bonds in recent years to benefit the public. As mentioned in the 2022-23 Budget, we will make reference to the recommendation of the Steering Committee and explore ways to enhance the prospectus requirements and, on the premise of ensuring due protection of investors, facilitate other institutions to issue retail bonds such that retail investors may have more opportunities to participate in the bond market. Promoting the diversified growth of the local bond market will help promote the development of Hong Kong's financial services as well as the economy as a whole. The Bureau's expenses on promoting local bond market development will be absorbed from within the existing resources.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)019

(Question Serial No. 0525)

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 National 14th Five-Year Plan has clearly defined the direction of developing Hong Kong to become a major centre/hub in eight areas. By capitalising on its advantages of close connectivity with the Mainland and the international markets, Hong Kong can seize the tremendous opportunities brought about by the development of the Greater Bay Area (GBA) and the “One Belt One Road” initiative. What are the Government’s views and policies on issues including the GBA Investment Fund, RMB green products and Mandatory Provident Fund (MPF) investment in bonds issued in the Mainland? In this connection, please inform this Committee of the following:

1. The \$5 billion GBA Investment Fund under the Future Fund set up by the Government will focus on capturing the investment opportunities in the GBA. What are the reasons for setting a specific target on the investment return of the Future Fund and how will the investment target of the Future Fund be specifically measured? What will be the economic benefits brought to Hong Kong? What is the expenditure involved?
2. Many public utilities and high-quality industrial projects in the Mainland with better cash flows are suitable for development into RMB green products. How can Hong Kong complement the development of the GBA and launch effective promotion to attract investment from Hong Kong and international investors? What is the specific development plan and the expenditure involved?
3. Mainland bonds have stable interest rates with low risks, making them suitable for pension investment in terms of interest rate returns and risks. Regarding the MPF investment in the bonds issued by the Central Government and Mainland policy banks, would the Government please introduce the implementation plan and timetable and the expenditure involved?

Asked by: Hon CHEN Chung-nin, Rock (LegCo internal reference no.: 15)

Reply:

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, so as to develop a high-quality Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area). Under the new development pattern of “dual circulation”, the Government will, in accordance with the content of the 14th Five-Year Plan, capitalise on 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. Our response to the multi-pronged question is as follows :

1. The vision of the Hong Kong Growth Portfolio (HKGP), including the GBA Investment Fund, is to make strategic investments in projects with a Hong Kong nexus, with a view to reinforcing Hong Kong’s status as a financial, commercial and innovation centre and raising Hong Kong’s productivity and competitiveness in the long run, while seeking reasonable risk-adjusted returns.

The Financial Services and the Treasury Bureau (Financial Services Branch), with the support of the Hong Kong Monetary Authority, will assist the work for establishing the GBA Investment Fund. Relevant work will be absorbed by the Bureau’s existing resources and manpower. We do not have a separate breakdown.

2. The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area supports Hong Kong’s development into a green finance centre in the Greater Bay Area. Leveraging Hong Kong’s strengths as an international financial centre and the gateway between China and the rest of the world, Hong Kong is well positioned to connect the flow of green and sustainable funds with the Mainland and the world thus assisting in promoting green investments and ecological civilisation on the Mainland.

We will continue to capitalise on the enormous green finance opportunities presented by the Greater Bay Area development, work closely with Greater Bay Area authorities and the industry and promote the Green and Sustainable Finance Grant Scheme, with a view to encouraging more Greater Bay Area entities to use Hong Kong’s platform for green and sustainable investment, financing and certification. The Grant Scheme was launched in May 2021. It will last for three years with a total grant amount of \$255 million.

3. With the Mainland bond market being the second largest in the world and the largest in Asia, there is an increasing demand from the MPF industry to invest in more diversified investment options with stable returns, in particular government bonds issued in the Mainland. To this end, we plan to propose to the Legislative Council in mid-2022 amendments to the Mandatory Provident Fund Schemes (General)

Regulation (Cap. 485A) (the Regulation) to include the Central People's Government, the People's Bank of China and the three Mainland policy banks as "exempt authority" under the Regulation, so as to facilitate investment by MPF funds into debt securities issued by these authorities. The relevant legislative work would be undertaken by staff of the Financial Services Branch and involves no additional resources.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)020****(Question Serial No. 0368)**

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:

On financial technology (Fintech), paragraph 87 of the Budget states that the Financial Secretary will allocate a funding of \$10 million for launching a new round of the subsidy scheme this year with the aim of providing subsidies to research institutions, so that they can put forward solutions as to how to remove development bottlenecks faced by the Fintech industry in Hong Kong. In this regard,

1. how many research institutions does this round of the scheme aim to benefit; is the scheme applicable only to specified aspects of Fintech; and does the scheme cover research projects relating to virtual assets?
2. what are the specific objectives, details and implementation schedule of the new round of the scheme?
3. in respect of the “development bottlenecks faced by the Fintech industry in Hong Kong” mentioned by the Financial Secretary, please explain in detail the major development bottlenecks, the reason why the sector was unable to remove such bottlenecks in the past, the policies and support measures which the Government has implemented to address the issue, and the effectiveness of such policies and measures.

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 5)

Reply:

Last year, the Financial Services and Treasury Bureau allocated \$10 million to launch the Fintech Proof-of-Concept (PoC) Subsidy Scheme to encourage Fintech companies to put forth innovative and practical Fintech solutions and products to address practical issues faced by financial institutions. The scheme attracted over 160 applications, with 93 projects approved, ranging from WealthTech, RegTech, InsurTech and payment systems; to Environmental, Social and Governance, cross-boundary data analysis, overseas remittances, and many other areas.

Having reviewed the effectiveness of the last round of the scheme, we will allocate another \$10 million to launch a new round of the subsidy scheme in 2022, with a view to promoting continuous innovation of the sector. The new scheme will continue last year's practice to subsidise individual PoC projects of financial institutions. Furthermore, we will earmark resources within the allocation to provide for research projects entailing higher levels of subsidy for application by research institutions to put forward solutions that can help overcome development bottlenecks faced by the Fintech industry in Hong Kong, thereby supporting the further development of the sector. The number of projects to be benefitted from the scheme would depend on, among other things, the respective number of applications of PoC and research projects, and the scales and approved subsidy amount of the research projects to be undertaken.

In recent years, we have implemented various measures to help the Fintech sector tackle bottleneck problems. The measures include creating an enabling regulatory regime that facilitates innovative services such as remote on-boarding and virtual banking and insurance to emerge in the market. We have also developed key Fintech infrastructure (for example the Faster Payment System, eTradeConnect, and Commercial Data Interchange) to allow Fintech-aided payment, remittance, and other financial services to operate efficiently. Regarding talents, we have taken a multi-pronged approach including measures to facilitate talent coming from outside Hong Kong, subsidy for creation of new local Fintech employment, training provided to financial practitioners, and development of Fintech professional qualifications together with the implementation of the Pilot Scheme on Training Subsidy for Fintech Practitioners this year to provide financial practitioners who have attained Fintech professional qualifications with tuition fees subsidy, with a view to promoting Fintech professionalisation, and boosting our Fintech talent pool. Through regular liaisoning with the sector and cooperation with the financial regulators, we will continue to monitor the need of the Fintech sector and room for development in order to formulate corresponding support measures.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)021

(Question Serial No. 0370)

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 mentioned in paragraph 74 of the Budget that considering the fact that some large-scale advanced technology enterprises which require substantial capital for their research and development (R&D) work but are not qualified for listing as they fail to meet the profit and trading record requirements, the Securities and Futures Commission (SFC) and the Hong Kong Exchanges and Clearing Limited (HKEX) are reviewing the Main Board Listing Rules and, having due regard to the risks involved, examining the revision of the listing requirements to meet the fundraising needs of such enterprises. In this connection:

1. What were the total amount of funds raised by local technology enterprises through listing on the Main Board and the economic benefits brought to Hong Kong in 2021/22? Upon the revision of the listing requirements, what are the estimated number of technology enterprises to be listed on the Main Board (percentage of enterprises from Hong Kong, the Mainland and overseas), the total amount of funds raised and the economic benefits for the first year, and what are the corresponding estimates of the annual average for subsequent years?
2. Currently, what is the estimated number of local large-scale advanced technology enterprises which require substantial capital for their R&D work but are not qualified for listing as they fail to meet the profit and trading record requirements as mentioned by the Financial Secretary? What technology areas are these enterprises mainly involved in?
3. How soon will the review and examination by the SFC and HKEX be completed? What is the earliest expected date for the implementation of the revised listing rules?
4. Why there is no comprehensive review on the listing rules and operational effectiveness of the Growth Enterprise Market at present? Will such review, as well as a study on legislative amendments be conducted in the future? Under what circumstances will the Government consider a comprehensive review and study to facilitate more technology enterprises to raise funds through the secondary market in addition to the Main Board, thereby further promoting the development of local innovation and technology?

Asked by: Hon CHIU Duncan (LegCo internal reference no.: 7)

Reply:

(1) to (3)

To forge a dynamic and sustainable fundraising platform, the Government, together with financial institutes concerned, seek to push forward enhancements to the listing regime on a continuous basis. Since April 2018, Hong Kong has launched a new listing regime which allows emerging and innovative companies that have weighted voting rights structures and pre-revenue / pre-profit biotechnology companies to list on the Main Board; and allows Qualifying Issuers to seek a secondary listing in Hong Kong through a new concessionary route. In 2021-22 (i.e. from April 2021 to February 2022), a total of 241 technology companies (including issuers from electronic information, healthcare, auto / truck-manufacturing industries) listed on the Main Board, raising a total of over \$89.8 billion and representing around 44% of the fund raised through initial public offering (IPO) during the same period.

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) points out that enterprises should be encouraged to step up research and development, and to promote the innovative development of industries such as integrated circuit, aerospace, naval architecture and marine engineering equipment, robotics, advanced track transportation equipment, advanced electrical equipment, mechanical engineering, high-end computer numerical control machine tools and pharmaceuticals and medical device, etc. According to the Report of “Hong Kong as an International Financial Centre – Enhancement of Hong Kong’s IPO offerings” published by the Financial Services Development Council, new economy industries accounted for 28.1% of Mainland’s overall economic input activities as at end-2021, and the prospect continues to be promising.

To cater for the emerging new economy in the Mainland in recent years, coupled with the fundraising needs of some large-scale advanced technology enterprises, the Securities and Futures Commission and the Hong Kong Exchanges and Clearing Limited (HKEX) are reviewing the Main Board Listing Rules, taking into account the business nature, fundraising needs and relevant risks of these industries, with a view to enhancing Hong Kong’s competitiveness as the fundraising hub for technology companies and status as an international financial centre balancing the risks involved. HKEX will approach the industry and listen to their views, so as to put forward concrete recommendations and present relevant analysis in due course for consulting the market.

(4)

HKEX has commenced its review on the function and positioning of GEM. It will remain open-minded in listening to views with no predetermined stance on relevant issues, and stand ready to explore a response to the fundraising needs of local innovative and technology companies. During the process, HKEX would make reference to the experiences of similar markets in the Mainland and overseas. The goal is to better serve the market through reforming GEM and reinforcing Hong Kong's overall competitiveness as a global premier listing centre.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)022

(Question Serial No. 0709)

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 increase the funding allocated to the Hong Kong Growth Portfolio under the Future Fund by \$10 billion, of which \$5 billion will be used to set up the Strategic Tech Fund. As for the remaining \$5 billion, it will be used to set up a GBA Investment Fund, which will focus on investment opportunities in the Greater Bay Area. Will the Government inform this Committee:

For decades, Hong Kong has been the largest source of foreign investment in the Mainland, and has never ceased to invest in the Greater Bay Area. Regarding the GBA Investment Fund, will the Government consider investing in Hong Kong by establishing a GBA Industrial Park in the territory and providing supporting facilities in a bid to attract the core enterprises (anchor companies such as Huawei, DJI, Tencent and Xunfei) from the industrial chains in the Greater Bay Area to build up their industrial chains in Hong Kong? If yes, what are the specific work plan of the Government for the coming year?

Asked by: Hon HONG Wen, Wendy (LegCo internal reference no.: 5)

Reply:

The vision of the Hong Kong Growth Portfolio (HKGP) is to make strategic investments in projects with a Hong Kong nexus, with a view to reinforcing Hong Kong's status as a financial, commercial and innovation centre and raising Hong Kong's productivity and competitiveness in the long run, while seeking reasonable risk-adjusted returns.

The GBA Investment Fund will focus on projects in the Greater Bay Area that can benefit Hong Kong, including projects that would be undertaken by Hong Kong-based companies, or companies with investment in the Greater Bay Area. The Investment Committee of HKGP will formulate selection criteria in accordance with the investment guidelines specified by the Governance Committee, as well as specific policy objectives and investment directions of the GBA Investment Fund. Apart from those industries (including real estate and tobacco industry) that the Expert Group advised earlier that HKGP

should not invest in, we do not rule out any projects in other industries meeting relevant investment guidelines, including projects that can promote development of the innovation and technology industry.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)023****(Question Serial No. 0638)**

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 Budget Speech, “with the continuous development of the Mainland economy, enterprises have substantial financing needs in the international market. However, due to the increased risks and uncertainties of listing in overseas markets, many China Concept Stock companies have chosen to return.” It is also stated that “preparation have been made for their return, including allowing Greater China companies without weighted voting rights structure and which are not from innovative sectors to seek secondary listing in Hong Kong, and offering more flexibility to issuers seeking dual-primary listings.” In this regard, will the Government inform this Committee of:

1. the specific plans and details;
2. whether it will motivate the relevant China Concept Stock companies to move their primary listing to Hong Kong?

Asked by: Hon LAM Chi-yuen, Nelson (LegCo internal reference no.: 5)

Reply:

As more China Concept Stocks may return from overseas markets, the Hong Kong Exchanges and Clearing Limited (HKEX) further enhanced the listing regime in January 2022 to facilitate China Concept Stocks in seeking primary listing status in Hong Kong and provide greater flexibility to relevant issuers. Notably, for Grandfathered Greater China issuer¹ with weighted-voting-right (WVR) and variable interest entity (VIE) structures who could meet the requirements for secondary listing, they could apply for dual primary listing directly and their existing WVR or VIE structures will be grandfathered. The WVR and VIE structures of a secondary listed Grandfathered Greater China issuer will also continue to be grandfathered following conversion to primary listing status. In addition, a

¹ Qualified issuer with a centre of gravity in Greater China

secondary listed issuer will be regarded as a primary listed issuer in the event of delisting from an overseas exchange. While it needs to comply with the applicable provisions for primary listed issuers under the Listing Rules, the issuer concerned would have a 12-month grace period to allow for the preparation of financial statements in accordance with Hong Kong or international financial reporting standards. The continuing transactions entered into before the issuer's notification to the HKEX on the expected involuntary delisting from an overseas exchange could also enjoy transitional arrangements. The transactions are exempted from applicable Listing Rules for three years from the date of the notification.

The National 14th Five-Year Plan clearly supports Hong Kong to enhance its status as an international financial centre. With the support of the Central People's Government, we will continue to promote the development of Hong Kong's listing platform. To attract more enterprises, including Greater China companies, to list in Hong Kong, and considering that some large-scale advanced technology enterprises which require substantial capital for their research and development work are not qualified for listing as they fail to meet the profit and trading record requirements, the Securities and Futures Commission (SFC) and the HKEX are reviewing the Main Board Listing Rules. They are examining the revision of the listing requirements to meet the fundraising needs of such enterprises balancing the risks involved, with a view to better serving Mainland enterprises to "go global".

Overall speaking, the above measures, together with the relaxation of requirements for Greater China issuers without WVR structure and which are not from innovative sectors to seek secondary listing in Hong Kong, would further attract quality China Concept Stocks listed in overseas exchanges to list in Hong Kong and meet the fundraising needs of the Mainland enterprises. At the same time, this would enrich market choices, promote market liquidity and enhance Hong Kong's competitive edge as a premier global fundraising platform.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)024

(Question Serial No. 0639)

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 mentioned in the Budget Speech that “expanding the issuance of green bonds, Renminbi (RMB) bonds and Hong Kong Dollar bonds with longer tenor under government bond programmes to foster the development of local RMB and green bond markets and the formation of local yield curve; consolidating our strengths in promoting offshore RMB business and encouraging participation of Mainland enterprises and entities in Hong Kong's bond market; and stepping up efforts to promote Hong Kong's position as a bond centre among investors and bond issuers.” Will the Government inform this Committee of the following:

- a. What is the estimated increase in the amount of RMB bonds issuance? Following the increase, what will be the share of RMB bonds in the local bonds market? What are the specific implementation details?
- b. In what ways can Hong Kong further improve for consolidating our strengths in promoting offshore RMB business? What specific measures will be taken to achieve this goal?

Asked by: Hon LAM Chi-yuen, Nelson (LegCo internal reference no.: 6)

Reply:

With the support of the Central People's Government, Hong Kong continues to be the global offshore Renminbi (RMB) business hub. The “Outline of the Fourteenth Five-Year Plan for the National Economic and Social Development and the Long-Range Objectives Through the Year 2035” gives support to Hong Kong in strengthening its role as a global offshore RMB business hub.

In this regard, the Government has launched a number of measures to promote the development of offshore RMB business. On facilitating the issuance of offshore RMB bonds, the Government issued a total of RMB 5 billion green bonds for the first time in November last year under the Government Green Bond Programme, including a 3-year

tranche and a 5-year tranche, setting an important benchmark for potential issuers. We also doubled the borrowing ceiling of the Government Green Bond Programme to \$200 billion last year and will, having regard to the market situation, continue to issue green bonds, including RMB green bonds, to provide a pricing reference for the market.

The Shenzhen Municipal People's Government (Shenzhen Government) issued offshore RMB municipal government bonds in Hong Kong in October last year, which was listed on the Stock Exchange of Hong Kong. That was the first time a Mainland municipal government issues bonds outside the Mainland, enriching our spectrum of RMB financial products. In respect of interest paid or profit received arising from the debt instruments issued in Hong Kong by the Shenzhen Government, we will exempt the payment of profits tax. The Government will continue to facilitate the issuance of offshore RMB bonds in Hong Kong, thereby promoting RMB internationalisation.

Going forward, we will continue to explore with the industry and relevant Mainland authorities expansion of channels for the two-way flow of cross-boundary RMB funds, development of offshore RMB products and tools as well as the measures to facilitate the issuance of offshore RMB bonds. We will also enhance and widen the mutual market access between the Mainland and Hong Kong and strive for greater policy room for Hong Kong financial institutions to expand their RMB business. We will further support the development of Hong Kong's offshore RMB, with a view to consolidating Hong Kong's status as a global offshore RMB business hub.

Specifically, we will explore enhancements to Southbound Trading under Bond Connect, with a view to expanding Hong Kong's bond market, facilitating the issuance and trading of more diverse dim sum bonds and enriching the offshore RMB fixed income ecosystem.

In addition, the working group formed by the Securities and Futures Commission, the Hong Kong Exchanges and Clearing Limited and the Hong Kong Monetary Authority has completed the feasibility study on expanding the use of the RMB in stock market transactions in Hong Kong and allowing stocks traded via the Southbound Trading of Stock Connect to be denominated in RMB, and put forth recommendations on detailed implementation. The working group will start making preparation in this regard, and will discuss with the regulatory authorities and relevant organisations in the Mainland. The Government stands ready to roll out supporting measures such as waiving the stamp duty on stock transfers paid by market makers in their transactions, so as to increase the liquidity of RMB-denominated stocks.

In light of actual operational experience and market feedback, we will also continue to liaise closely with the relevant authorities in the Mainland and stakeholders with a view to enhancing the Cross-boundary Wealth Management Connect in the Guangdong-Hong Kong-Macao Greater Bay Area in an incremental manner, such as allowing more participating financial institutions, raising quota, expanding product scope, and improving sales arrangements, etc.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)025

(Question Serial No. 0640)

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 mentioned in the Budget Speech that “we are also actively implementing the development of professional qualifications recognised under the Qualifications Framework for Fintech practitioners. The first batch of Fintech professional qualifications for the banking sector is expected to be rolled out this year. We will also implement the Pilot Scheme on Training Subsidy for FinTech Practitioners this year. Practitioners who have attained Fintech professional qualifications can receive reimbursement of 80 per cent of the tuition fees, and around 1 500 places will be offered. We will conduct a consultancy study this year, with a view to continuing developing Fintech professional qualifications for different financial sectors, thereby promoting comprehensive professional development of Fintech talent. The estimated expenditure of the scheme is \$43 million.” Will the Government advise this Committee of the following:

- a. What is the maximum amount of the tuition fee subsidy for attaining qualifications?
- b. What are the eligibility criteria for the 1 500 places? Are background checks on the applicants required?
- c. According to the figures released by the Census and Statistics Department on 8 December 2021, about 100 900 persons are working in the the banking sector. The 1 500 places account for a mere 1.5% of the total number of banking practitioners. Will the quota be further increased in the future?

Asked by: Hon LAM Chi-yuen, Nelson (LegCo internal reference no.: 7)

Reply:

The first batch of practitioners to be benefitted from the Pilot Scheme on Training Subsidy for Fintech Practitioners will include those working or aspiring to work as a financial practitioner in the banking sector. The applicant has to complete the relevant training programme endorsed by the Hong Kong Monetary Authority, and accumulate the required working experience, to be eligible for attaining Fintech professional qualification, and obtaining course fee subsidies under the Pilot Scheme. The reimbursement amount would

be 80 per cent of the course fees. For the training courses related to the first batch of Fintech professional qualifications for the banking sector expected to be rolled out this year, the reimbursement amount would be subject to a ceiling of about \$25,000.

The 1 500 places under the Pilot Scheme is tentatively planned by drawing reference to the current number of practitioners having attained Certified Banker professional qualifications (about 1 300). We would monitor the implementation of the Pilot Scheme and conduct review in due course.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)026****(Question Serial No. 0641)**

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 Budget Speech, “we have commissioned the Cyberport to implement a new round of Financial Practitioners FinTech Training Programme this year to provide training programmes and tuition fee subsidies for practitioners in the insurance and securities sectors. Subsidies will also be provided for the two sectors to organise their own training programmes.” Will the Government inform this Committee of:

1. the detailed breakdown of the aforementioned expenditure;
2. whether there is a system to monitor the needs of the sectors in future and upon the update of codes of practice;
3. the estimated quota, number of practitioners to be benefitted, and profits to be generated for the sectors in the long run?

Asked by: Hon LAM Chi-yuen, Nelson (LegCo internal reference no.: 8)

Reply:

(1) and (3)

The new round of the Financial Practitioners FinTech Training Programme was launched on 24 February this year, comprising the Webinars Series and Incentive Scheme. The Financial Services and the Treasury Bureau has entrusted the Cyberport to arrange the Webinars Series for financial practitioners to apply. Practitioners who have successfully completed the courses would be provided a full course fee subsidy. The last round of this training had benefitted more than 1 200 practitioners. We expect to benefit more practitioners in the new round making full use of the capacity of web-based learning. In addition, trade associations in the securities and insurance sectors may apply under the Incentive Scheme for a one-off direct subsidy with the maximum amount of \$100,000 to each approved training programme to tailor-make training programmes for their practitioners. We expect that at least 10 trade associations will benefit from the scheme. There are no limits imposed on the number of participating practitioners. We expect to enhance practitioners' knowledge of the practical application of Fintech through the

Training Programme, thus accelerating the digital transformation of the financial service to boost the long term competitiveness of our financial services sector. The total estimated expenditure of the Training Programme is \$2.5 million. The Webinars Series and Incentive Scheme are estimated to cost \$1.5 million and \$1 million respectively, with suitable adjustment to be made in the light of the actual application situation.

(2)

Regarding Fintech development and application by our financial services sector, through regular liaison with the sector and cooperation with the financial regulators, we monitor the need of the sector and room for development in order to formulate corresponding support measures. For example, the Coordination Group on Implementation of Fintech Initiatives chaired by the Secretary for Financial Services and the Treasury comprising representatives of the Government and key financial regulators, as well representatives from the financial services sector, academia and research institutions provides a platform for overseeing various key developments in Fintech, including measures to boost talent to address the needs of the industry and the latest local and international regulatory requirements. The Financial Services and the Treasury Bureau also reports regularly to the Panel on Financial Affairs on the subject of Fintech developments.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)027

(Question Serial No. 0565)

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:

1. In the 2022-23 financial year, the Government will allocate a total of \$231.2 million to the Innovation and Technology Bureau for the purposes including the formulation of policies to augment the pool of innovation and technology talents. Will the Government inform this Committee whether the above provision includes the estimated expenditure of \$43 million for the first-time implementation of the Pilot Scheme on Training Subsidy for FinTech Practitioners (the Pilot Scheme) this year? If not, what are the reasons?
2. The Financial Secretary also mentioned that a new qualifications framework will be developed for recognition of the professional qualifications of financial technology (Fintech) practitioners, despite the fact that local universities (such as the University of Hong Kong and the Hong Kong University of Science and Technology) have already offered undergraduate and postgraduate degree programmes in FinTech. Will the Government inform this Committee why it is still necessary to allocate provision to launch the new Pilot Scheme? Is it because the Government considers recognition of the programmes offered by these universities inadequate, and that is why it seeks to implement the Pilot Scheme?

Asked by: Hon LAM Chun-sing (LegCo internal reference no.: 7)

Reply:

- (1) The Financial Services and the Treasury Bureau (FSTB) is responsible for the Fintech policy to boost market competitiveness of the financial services sectors through promotion of greater adaptation of Fintech by the sectors and their practitioners. The estimated expenditure of \$43 million for implementing the Pilot Scheme on Training Subsidy for Fintech Practitioners (the Pilot Scheme) and conducting a consultancy study on developing Fintech professional qualifications for different financial sectors is managed by the FSTB, and is not part of the allocation for the Innovation and Technology Bureau (ITB). The Pilot Scheme will provide around 1 500 places for

financial practitioners who have attained Fintech professional qualifications to be reimbursed with 80 per cent of the tuition fees, with a view to promoting comprehensive professional development of Fintech talent. The FSTB, through its cooperation platform chaired by the Secretary for Financial Services and the Treasury, works with the ITB and the innovation and technology agents (for example the Cyberport and the Hong Kong Science and Technology Parks), major financial regulators, and key Fintech stakeholders to coordinate various policy measures to promote the development of Fintech.

- (2) The Government encourages cooperation among the academic, financial and Fintech sectors to nurture Fintech talents. At present, many local universities and the Vocational Training Council have launched Fintech-related higher diploma, bachelor and master degree programmes for those who are interested or aspire to work in the field, as well as in-service practitioners.

Separately, we are developing the Fintech professional qualifications recognized under the Qualifications Framework in response to market need. The first batch of Fintech professional qualifications for the banking sector is expected to be rolled out this year. The measure seeks to stipulate the core Fintech competency standards and the corresponding training content that suit specific needs of a particular financial sector. Assisted by tuition fees subsidy, the measures encourage financial practitioners from diverse academic background, including those not having prior Fintech-related education, to acquire widely-recognized and quality-assured Fintech professional qualifications after completing the relevant training courses and accumulating the required working experiences, which would facilitate their professional development in specific fields. The measures will work in synergy with the Fintech programmes operated by the local universities and the Vocational Training Council.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)028

(Question Serial No. 0512)

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 by the Financial Secretary in the Budget Speech, the HKMC Insurance Limited has been instructed to make amendments to the Mortgage Insurance Programme (MIP). The cap on the value of a property eligible for a mortgage loan of a maximum cover of 80% loan-to-value (LTV) ratio will be raised from \$10 million to \$12 million. For the first-time home buyers, the cap on the value of a property eligible for a mortgage loan of a maximum cover of 90% LTV ratio will be raised from the existing \$8 million to \$10 million. However, there is no plan for relaxation regarding other property demand management measures. In this connection, would the Government advise this Committee on:

1. how the impact of such measures on property prices will be assessed;
2. how the housing affordability of the public will be assessed and what different measures will be taken to solve people's home ownership problems; and
3. whether provision will be earmarked to prevent bad debt in the event that negative equity arises among members of the public.

Asked by: Hon LEE Chun-keung (LegCo internal reference no.: 10)

Reply:

- (1) The Government and the HKMC Insurance Limited (HKMCI) have been reviewing the need to amend the Mortgage Insurance Programme (MIP) in light of market changes and homebuyers' needs, as well as its potential impact on the property market. The Financial Secretary announced in the 2022-23 Budget amendments to the MIP having considered the current market situation, housing supply in the next few years, and the need to provide assistance for first-time homebuyers and families seeking self-occupied "flat for flat", with a view to providing better assistance to homebuyers under a risk-controlled manner.

- (2) While the applicable property value caps of the MIP have been adjusted, borrowers are still required to meet specific eligibility criteria for their applications, including a maximum debt-to-income (DTI) ratio of 50% and the need to meet the stressed DTI ratio (first-time homebuyers who cannot meet the stressed DTI ratio will be subject to premium adjustment based on relevant risk factors when they apply for loans of a loan-to-value (LTV) ratio up to 80% or 90%). For applicants with mortgage loans exceeding an LTV ratio of 80%, HKMCI has imposed additional eligibility criteria, including that the borrowers must be first-time homebuyers and regular-salaried. Moreover, the Government will continue to adopt the three-pronged approach (which includes macroprudential measures, demand-side management measures and an increase in housing supply) to contain housing market risks and increasing housing affordability.
- (3) The MIP provides mortgage insurance to banks so that the banks can provide mortgage loans with higher LTV ratios without incurring additional credit risk. If a lending bank sustains default losses in relation to that part of the loan granted under the MIP, the bank will be duly compensated by HKMCI under the commercial terms of the programme.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)029****(Question Serial No. 0600)**

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:

At present, the Hong Kong Government has established the Hong Kong Growth Portfolio and will further set up a Strategic Tech Fund in the future. In this connection, will the Government inform this Committee of the following:

1. Please provide a list of the companies and sectors in which the Hong Kong Growth Portfolio has invested during its life and set out the current audited investment performance (if applicable); and
2. Please provide a list of the general partners currently selected by the two funds and the selection criteria for the general partners of the two funds?

Asked by: Hon LEE Hoey Simon (LegCo internal reference no.: 8)

Reply:

A two-tier committee framework has been established for the Hong Kong Growth Portfolio (HKGP), including a Governance Committee and an Investment Committee, to take forward the initiative. The Investment Committee will formulate selection criteria in accordance with the investment guidelines specified by the Governance Committee, and decide on the appointment of general partners (GPs) based on those criteria. Appointed GPs are responsible for sourcing projects and making investments direct for HKGP. Generally speaking, a project that can benefit Hong Kong, could be regarded as having a Hong Kong nexus, including a project that would be undertaken by a Hong Kong-based company, or would take place in Hong Kong, would be a good starting point.

Since private equity projects are long-term investments which would take time to realise their return, it would be more appropriate to appraise its outcome over a longer-term horizon. However, given that the public would regard the return of HKGP as one of the most important yardsticks in evaluating its effectiveness, we agree that making reasonable disclosure in the interest of public accountability is important. The Government therefore accepts the recommendation of the Expert Group that the return of HKGP should be

disclosed after five years of establishment, while at the same time, encourage the public to focus on its long-term return instead of the return in the initial years.

The Government has so far appointed eight private equity firms as GPs, covering a spectrum of industries including technology, healthcare, logistics and supply chain management, business and financial services, consumer products, etc. Investment Committee has duly considered the institutions' capabilities, track record, understanding and specific plan of meeting our policy objectives, and access to quality deals, etc. in coming up with the appointment. Given that the identity of GPs concerns sensitive commercial information, the disclosure of which may affect their own investment business and sourcing of investment projects, we are not in a position to disclose relevant details.

Separately, the Financial Secretary announced in the Budget to increase the funding allocated to the HKGP by \$10 billion, of which \$5 billion will be used to set up a new investment fund, namely the Strategic Tech Fund. The Government is proceeding with the relevant preparatory work, and will invite the Hong Kong Science and Technology Parks Corporation and the Cyberport to identify technology enterprises which are of strategic value to Hong Kong as well as investment opportunities conducive to enriching the innovation and technology ecosystem.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)030

(Question Serial No. 0116)

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:

InvestHK set up a dedicated team in June 2021 to offer one-stop support services to attract global clients to set up family offices in Hong Kong. To gauge the effectiveness of this initiative, please inform this Committee of the position as of February 2022 on the following:

Regarding clients making enquiries to InvestHK on the setting up of family offices in Hong Kong: the number, place of origin and estimated initial capital setup; the potential area of investment (such as biotechnology, innovation and technology, finance, green energy and technology, social innovation and philanthropic projects, etc); and the government departments contacted and the number of such occasions.

Regarding clients that have set up or in the process of setting up family offices in Hong Kong: the number, place of origin and capital setup involved; the potential area of investment (such as biotechnology, innovation and technology, finance, green energy and technology, social innovation and philanthropic projects, etc); the government departments contacted and the number of such occasions; the number and type of advisory services provided to family offices; the number and type of assistance provided to family offices for organising activities; and the establishment and expenditure involved of the dedicated team of InvestHK.

Asked by: Hon LEE Tsz-king, Dominic (LegCo internal reference no.: 7)

Reply:

As of February 2022, Invest Hong Kong (InvestHK) has received more than 60 enquiries for setting up family offices in Hong Kong, mainly from the Mainland, Europe, the United States, ASEAN countries and South American countries, etc. Their areas of interest mainly cover licensing, visa applications, talent recruitment, marketing and the scope of services provided by InvestHK.

Since the commencement of its operation in June 2021, the dedicated family office team has successfully assisted 11 family offices to expand their business in Hong Kong (including 7 Mainland, 3 European and 1 ASEAN family offices) thus far. Highlights of some of the successful cases can be found at the dedicated team's website: <https://www.familyoffices.hk/en/case-studies.html>. Interaction with the dedicated team on family offices indicated that they have interest in Fintech, Biotech and new energy, with some keen to support social enterprises and philanthropy.

To assist family offices with their operation in Hong Kong, the dedicated team remains in close dialogue with government departments and regulators such as the Securities and Futures Commission and the Immigration Department, to support family offices with their operational needs. In addition, the dedicated team also actively organised and participated in 77 seminars, conferences and industry events for family offices and the industry locally and overseas. They range from networking events to provide socialising opportunities for the industry, workshops in partnership with industry organisations on topics of interest, to keynote speeches such as “Hong Kong as an Asset and Wealth Management Centre and a Springboard for Mainland China” and “Hong Kong Private Wealth Management - The Best Choice”, etc. The team actively promoted the unique advantages of Hong Kong as a family office hub in the events concerned and provided support for family offices interested in operating in Hong Kong.

The dedicated team comprises of 8 investment support officers, including 4 investment promotion managers, 1 deputy global head and 3 overseas regional heads. The estimated annual budget is \$17.2 million, funded by the Financial Services and the Treasury Bureau.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)031

(Question Serial No. 0826)

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 80 of the Budget Speech that the Government is working with the regulatory authorities in the Mainland to explore enhancement measures for the Cross-boundary Wealth Management Connect Scheme (WMC) in the Guangdong-Hong Kong-Macao Greater Bay Area. In this connection, please inform this Committee of:

- i. the effectiveness of the WMC since its launch, the average daily turnover of each participating bank and of each product, and utilisation of other services;
- ii. whether industries of securities, futures, funds and wealth management can participate in the WMC this year. If yes, is there a timetable? If no, please state the reasons.

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 1)

Reply:

Cross-boundary Wealth Management Connect (WMC) was formally launched on 10 September last year, enabling residents in Hong Kong, Macao and nine cities in Guangdong Province to carry out cross-boundary investment in wealth management products distributed by banks in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). The regulators of the three places promulgated the implementation details of WMC on the same day and banks commenced business on 19 October. It is a milestone in the financial development of the GBA and an important measure that deepens and widens mutual access between the financial markets of the Mainland and Hong Kong. WMC is also the first Connect scheme specifically designed for individual investors and provides GBA residents with a formal, direct and convenient channel for cross-boundary investment in diversified wealth management products.

On top of promoting the organic growth of our local wealth management market, WMC also brings enormous business opportunities to the entire financial industry value chain in Hong Kong, encompassing product development, product distribution, asset management and related professional and support services, promoting the sustainable development of the

local financial industry. At the same time, WMC provides more incentives for international financial institutions to have a foothold and invest more resources in Hong Kong so as to serve the large investor base in GBA cities, which will in turn strengthen Hong Kong's role as an international asset and management centre and important gateway for capital flowing into and out of the Mainland. By facilitating individual investors' cross-boundary investment, WMC promotes the cross-boundary flow and use of Renminbi (RMB) and reinforces Hong Kong's position as the global offshore RMB business hub.

Currently, 24 Hong Kong banks have begun to offer WMC services together with their respective Mainland partner banks. As of 28 February 2022, over 24 000 individual investors participated in WMC and over 7 000 remittances (including Hong Kong and Macao) had been recorded. Cross-boundary funds remittances (including Hong Kong and Macao) totalled over RMB 670 million. According to the People's Bank of China, as of 28 February 2022, Mainland investment products held by Hong Kong and Macao investors under WMC stood at around RMB 204 million, including RMB 172 million in wealth management products and RMB 32 million in funds. Offshore investment products held by Mainland investors under WMC stood at around RMB 118 million, including RMB 16 million in funds and RMB 102 million in deposits. As of 28 February 2022, the aggregate quota usage under the Southbound Scheme and Northbound Scheme was over RMB 120 million and over RMB 230 million respectively (including Hong Kong and Macao and calculated on a net cross-boundary remittance basis).

WMC involves three different regulatory systems and requires close collaboration among the relevant regulators in the three places to find common ground and policy space within their respective regulatory regimes and existing practices. Going forward, in light of actual operational experience and market feedback, we will continue to liaise closely with the relevant authorities and stakeholders with a view to enhancing WMC in an incremental manner, such as allowing more participating financial institutions, raising quota, expanding product scope and improving sales arrangements, etc.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)032

(Question Serial No. 0827)

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:

Although it is mentioned in paragraph 69 of the Budget Speech that the securities market continued to flourish in the past year, the financial services industry still suffered a setback under the pandemic. As Hong Kong is still unable to resume cross-boundary travel, many organisations with business dealings in the Mainland have experienced a sharp decline in business. In this connection, this Committee would like to know more about the following:

- i. the average daily turnover of the securities market in Hong Kong dropped by more than 20% after the Government raised the rate of Stamp Duty six months ago. Will the Government review the Stamp Duty, and under what conditions will the Government resume the original rate of Stamp Duty?
- ii. Will the Government introduce funding support measures for the financial services industry to alleviate the difficulties faced by the industry? If not, what are the reasons?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 2)

Reply:

- i. The rate of Stamp Duty on Stock Transfers has been adjusted upward by 0.03% from 0.1% to 0.13% (each side) since 1 August 2021. Such 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.

Indeed, Hong Kong continues to be one of the leading fundraising hubs in the world. In 2021, the average daily turnover in the stock market was \$166.7 billion, representing 29% increase from \$129.5 billion in 2020. The average daily turnover between August and December 2021 after the implementation of stamp duty increase was \$138.4 billion, still up 7% from that in 2020. To complement the 14th Five-Year

Plan, the Government will continue to pursue measures promoting the securities market, including further promoting mutual financial market access with the Mainland, developing offshore Renminbi business, strengthening its position as an international asset management centre and a risk management centre, developing a green finance centre for the Greater Bay Area and promoting our financial services towards high-end and high value-added development. These measures would benefit development of the financial services sector as a whole.

At the same time, the Government will, as in the past, examine government revenue and tax items, and take all relevant factors into consideration when preparing the Budget every year.

- ii. The Government launched the Subsidy Scheme for the Securities Industry under the second round of the Anti-epidemic Fund from May to September 2020 to support small and medium-sized intermediaries and licensed individuals in the securities industry. Eligible participants of the Stock Exchange of Hong Kong and / or the Hong Kong Futures Exchange were able to receive a one-off subsidy of \$50,000 per company. Eligible individuals licensed with the Securities and Futures Commission were able to receive a one-off cash subsidy of \$2,000 per person. A total of \$92.61 million was disbursed to the securities industry under the scheme.

Moreover, the SFC would continue to waive the annual licensing fees of all licensed corporations, registered institutions, responsible officers and licensed representatives incurred during 2022/23 in order to reduce the operating costs for the securities industry.

The Government also strives to continue dedicate resources to propelling the long-term development of the financial services industry by facilitating the industry's expansion of business in keeping with the times. Policy measures rolled out for this purpose include:

- (a) Hong Kong has implemented, in recent years, a series of listing reform to enhance the competitiveness of the Hong Kong securities market, including allowing emerging and innovative enterprises with weighted voting rights structure as well as pre-revenue or pre-profit biotechnology companies to list in Hong Kong; providing facilitation for Qualifying Issuers to seek secondary listing in Hong Kong; allowing Greater China companies without weighted voting rights structure and which are not from innovative sectors to seek secondary listing in Hong Kong; providing more flexibility to issuers seeking dual-primary listings; and launching a listing regime for Special Purpose Acquisition Companies (SPAC), and providing a new alternative listing route in Hong Kong, thereby promoting market liquidity.
- (b) The Government also strives to develop the bond market of Hong Kong and plans to issue no less than \$15 billion of inflation-linked retail bonds (i.e. iBond), no less than \$35 billion of Silver Bond and no less than \$10 billion of retail green bonds in the next financial year for public subscription. Banks and securities firms have the opportunity to participate in the issuance arrangements of these bonds.

- (c) The Financial Services and the Treasury Bureau launched a new round of the Financial Practitioners FinTech Training Programme on 24 February this year, with a view to enhancing practitioners' knowledge of the practical application of Fintech, thus accelerating the digital transformation of the financial services. The Training Programme comprises the Webinars Series and Incentive Scheme. Practitioners who have successfully completed the Webinar Series courses will receive full fee subsidy. The Incentive Scheme will offer trade associations in the securities and insurance sectors a one-off direct subsidy with the maximum amount of \$100,000 to each approved training programme applied by the trade associations to tailor-make training for their practitioners. The total estimated expenditure of the Training Programme is about \$2.5 million.

The Government will continue to maintain close communication with the industry and provide policy support to support the development of the trade.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)033

(Question Serial No. 0828)

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 74 of the Budget Speech that the Securities and Futures Commission and the Hong Kong Exchanges and Clearing Limited (HKEX) are reviewing the Main Board Listing Rules and, having due regard to the risks involved, examining the revision of the listing requirements to meet the fundraising needs. In this regard, please inform this Committee of the following:

- i. Besides the review on the Main Board Listing Rules, will there also be a review on the Growth Enterprise Market (GEM) so as to facilitate local innovation and technology enterprises to seek listing through the GEM?
- ii. Regarding the HKEX's launch of SPACs this year, will the restrictions on professional investors be lifted so that retail investors may also take part in the trading?

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

Reply:

- i. The Hong Kong Exchanges and Clearing Limited (HKEX) has commenced its review on the function and positioning of GEM. It will remain open-minded in listening to views with no predetermined stance on relevant issues, and stand ready to explore a response to the fundraising needs of local innovative and technology companies. During the process, HKEX would make reference to the experiences of similar markets in the Mainland and overseas. The goal is to better serve the market through reforming GEM and reinforcing Hong Kong's overall competitiveness as a global premier listing centre.
- ii. Following market consultation, the HKEX implemented the listing regime for special purpose acquisition companies (SPACs) in January 2022. Since a SPAC is a cash company without operations prior to mergers and acquisitions with a company with substantive business operations (a De-SPAC transaction), the price of its securities is relatively sensitive to speculative activities and market rumours. HKEX therefore

consider that professional investors are better placed to assess, monitor and mitigate the combination of risks associated with SPACs. Other major markets also have similar practices. The United States, for instance, also proposed in end 2021 that unless the concerned SPAC has fulfilled certain criteria, brokers should be prohibited from facilitating the transaction of, or recommending SPAC securities to persons apart from those who are comparable to professional investors in Hong Kong. During the market consultation, the majority of feedback received by HKEX also consider that as SPACs are new to Hong Kong, retail investors may not be aware of the risks associated with them. With the support of majority of market respondents and to protect the interest of retail investors, HKEX restricts the subscription and trading of SPAC securities to professional investors at this stage. HKEX will closely monitor the operation of this new listing regime, including market conditions following the completion of individual De-SPAC transactions, and consider the need for enhancements at an appropriate juncture.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)034

(Question Serial No. 0829)

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 Matters Requiring Special Attention in 2022-23 that the Government will advance financial co-operation with the Mainland, promoting Hong Kong's efforts in initiatives in relation to the Guangdong-Hong Kong-Macao Greater Bay Area development in respect of the financial services sector. It is also indicated in paragraph 81 of the Budget Speech that mutual access has been deepening and widening and a consensus was reached in respect of exchange traded funds. In this connection, please advise on:

- i. the details of the financial co-operation initiatives with the Mainland for fulfilling the goals set out in the 14th Five-Year Plan and the estimated expenditure involved;
- ii. apart from the securities industry, whether the Government has any policies to help futures and commodities trading firms and asset management companies enter the Mainland market;
- iii. whether more mutual access initiatives such as Futures Connect and Commodity Connect will be introduced to allow more players of the financial services sector to participate in the Mainland market; if yes, the respective timetables.

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 4)

Reply:

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 (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 the Mainland and Hong Kong, so as to develop a high-quality Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area).

Under the new development pattern of “dual circulation”, the Government of the Hong Kong Special Administrative Region (HKSAR) 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. Key work progress and plan include the following –

- (i) Offshore RMB business: To further expand the channels for the two-way flow of cross-boundary RMB funds and develop offshore RMB products and tools, the working group formed by the Securities and Futures Commission (SFC), the Hong Kong Exchanges and Clearing Limited (HKEX) and the Hong Kong Monetary Authority (HKMA) has completed a feasibility study on expanding the use of the RMB in stock market transactions in Hong Kong and allowing stocks traded via the Southbound Trading of Stock Connect to be denominated in RMB, and put forth recommendations on detailed implementation. The working group will start making preparation in this regard, and will discuss with the regulatory authorities and relevant organisations in the Mainland. The Government stands ready to roll out supporting measures such as waiving the stamp duty on stock transfers paid by market makers in their transactions, so as to increase the liquidity of RMB-denominated stocks.
- (ii) Promoting mutual capital market access: Southbound Trading of Bond Connect was launched in September 2021. With continuous expansion of mutual capital market access, the demand for relevant risk management tools from investors is also on the rise. To this end, HKEX launched the MSCI China A50 Connect Index futures contract in Hong Kong in October 2021. At the end of last year, HKEX, Shanghai Stock Exchange, Shenzhen Stock Exchange and China Securities Depository and Clearing Corporation reached an agreement on the Stock Connect inclusion arrangements for eligible ETFs. As a next step, the parties would work closely on the business and technical preparations, including amendments to relevant rules, with a view to facilitating relevant trades as soon as possible.

In addition, with the Mainland bond market being the second largest in the world and the largest in Asia, there is an increasing demand from the Mandatory Provident Fund (MPF) industry to invest in more diversified investment options with stable returns, in particular government bonds issued in the Mainland. To this end, we plan to propose to the Legislative Council in mid-2022 amendments to the Mandatory Provident Fund Schemes (General) Regulation (Cap. 485A) (the Regulation) to include the Central People’s Government, the People’s Bank of China and the three Mainland policy banks as “exempt authority” under the Regulation, so as to facilitate investment by MPF funds into debt securities issued or guaranteed by these authorities.

- (iii) Asset and wealth management: The “Opinion on Providing Financial Support for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area” (the Opinion) promulgated by the Central People’s Government in May 2020 supports the participation of Hong Kong’s private equity funds in financing Greater Bay Area innovation and technology (I&T) companies and 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 privately offered equity investment funds on the Mainland to invest overseas. The Financial Services and the Treasury Bureau (FSTB) established the limited partnership fund regime in August 2020 which allows private equity funds to register and operate in the form of limited partnerships in Hong Kong. This measure is 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 innovation and technology field in the Greater Bay Area. FSTB is exploring with the Qianhai Authority on enhancing the co-development and connectivity of private equity markets at both places. Potential cooperation initiatives range from lowering the threshold for Hong Kong-based fund managers, funds and investors, streamlining the application procedures and broadening the investment scope.

Cross-boundary Wealth Management Connect (WMC) was formally launched on 10 September last year, enabling residents in Hong Kong, Macao and nine cities in Guangdong Province to carry out cross-boundary investment in wealth management products distributed by banks in the Greater Bay Area. In light of actual operational experience and market feedback, we will continue to liaise closely with the relevant authorities and stakeholders with a view to enhancing WMC in an incremental manner, such as allowing more participating financial institutions, raising quota, expanding product scope, and improving sales arrangements, etc.

- (iv) Risk management and the development of the insurance industry: To fulfil the goal set out under the National 14th Five-Year Plan to strengthen Hong Kong's function as a risk management centre, the HKSAR Government completed several legislative exercises in 2021 which sought, inter alia, to offer half-rate profits tax concessions for selected insurance businesses, including those related to marine and specialty insurance, and to expand the scope of insurable risks of captive insurers set up in Hong Kong. We also established a dedicated regulatory regime for insurance-linked securities (ILS) and launched a pilot grant scheme, thereby facilitating the issuance of the first ILS in Hong Kong on 1 October 2021.

Moreover, the HKSAR Government is discussing the implementation arrangement with the relevant Mainland authorities and striving for the early establishment of after-sales service centres by Hong Kong insurance industry in Mainland cities in the Greater Bay Area, with a view to providing Greater Bay Area residents who are holders of Hong Kong policies with comprehensive support in different areas including enquiries, claims and renewal of policies. The HKSAR Government is also striving for the early implementation of the "unilateral recognition" policy for cross-boundary motor insurance, so as to facilitate relevant Hong Kong vehicles entering Guangdong through the Hong Kong-Zhuhai-Macao Bridge to arrange for the necessary insurance coverage in the Mainland.

- (v) Financial technology (Fintech): In order to enhance cooperation between Hong Kong and the Mainland in the Fintech area, the HKMA and the People's Bank of China (PBoC) signed a Memorandum of Understanding in October 2021 to provide a one-stop platform in the form of a network for financial institutions and technology companies to conduct pilot trials of cross-border Fintech initiatives concurrently in Hong Kong and the Mainland, and commenced accepting applications from financial

institutions and technology companies in February this year. In addition, the Digital Currency Institute of the PBoC and the HKMA have already completed the first phase of technical testing of using e-CNY for making cross-boundary payments in Hong Kong and are discussing the next phase of the technical testing, including the involvement of more banks in Hong Kong and using the Faster Payment System to top up e-CNY wallets.

- (vi) Green and sustainable finance: Leveraging Hong Kong's strengths as an international financial centre and the gateway between China and the rest of the world, Hong Kong is well positioned to connect the flow of green and sustainable funds with the Mainland and the world to promote green investments and ecological civilisation on the Mainland. We will continue the relevant work, including maintaining liaison with the Mainland authorities and promoting the Green and Sustainable Finance Grant Scheme to encourage more Mainland entities to use Hong Kong's platform for green and sustainable investment, financing and certification. The Grant Scheme was launched in May 2021. It will last for three years with a total grant amount of \$255 million.

Last year, the Shenzhen Municipal People's Government issued offshore RMB municipal government bonds totalling RMB 5 billion in Hong Kong, including green bonds. In respect of interest paid or profit received arising from the debt instruments issued in Hong Kong by the Shenzhen Municipal People's Government, we will exempt the payment of profits tax. This is the first time a Municipal People's Government issues bonds in Hong Kong, testifying to the strength of Hong Kong as a platform to issue RMB bonds.

The above work is being pursued jointly by FSTB and relevant financial regulators. The related expenses will be absorbed from within existing resources in the Financial Services Branch. Except for the Green and Sustainable Finance Grant Scheme, we do not have a separate breakdown for related expenditures to pursue other relevant measures.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)035

(Question Serial No. 0830)

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:

In respect of the Budget, it is mentioned under Matters Requiring Special Attention in 2022-23 that the Branch will promote the development of green and sustainable finance in Hong Kong in tandem with national and international development. Please advise this Committee of the following:

- i. the progress of developing a carbon trading centre with the Mainland and whether there are any further plans.
- ii. whether there are any collaborations with the Guangzhou Futures Exchange. If yes, please set out the projects and their achievements. If no, please explain the reasons.

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 5)

Reply:

The Central People's Government has set out in 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 to promote comprehensive green transformation of economic and social development, and endeavour to have carbon dioxide emissions peak before 2030 and achieve carbon neutrality before 2060. In Hong Kong, the Chief Executive announced in her 2020 Policy Address that the Hong Kong Special Administrative Region will strive to achieve carbon neutrality before 2050. The Government has been working in concert with financial regulators and the industry and taking a multi-pronged strategy to promote green and sustainable finance, with a view to contributing to achieving the carbon neutrality goal in the Mainland and in Hong Kong, and consolidating Hong Kong's position as a green and sustainable finance hub in the region.

Formed by relevant Government bureau and financial regulators, the Green and Sustainable Finance Cross-Agency Steering Group published in end March 2022 a preliminary feasibility assessment for Hong Kong to pursue carbon market opportunities and is of the

view that Hong Kong's success factor in adding value to global carbon markets lies in our close links with the Mainland, which enables us to facilitate global capital flows into the Mainland's carbon markets. In addition, Hong Kong's green certification services at international level and familiarity with both Mainland and international standards will enable us to serve as a bridge to the world for China which in turn, contributing to the development of the carbon market.

Specifically, Hong Kong can leverage the work of the relevant international institution on voluntary carbon markets (VCMs) and financial expertise to develop a centralised and on-exchange VCM, so that buyers of carbon credits from Hong Kong, Mainland and overseas can have an additional and transparent purchase channel. Meanwhile, Hong Kong can be a bridge to the world for Mainland China's carbon credits and the underlying projects under the China Greenhouse Gas Voluntary Emission Reduction Programme administered by the Ministry of Ecology and Environment. Hong Kong is the gateway between the Mainland and international markets and has unique institutional advantages in facilitating international capital flows into the Mainland. Hong Kong should leverage its strengths to proactively assist and integrate into national and the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) developments, which are moving towards a comprehensive green transformation.

Based on the assessment, the Steering Group intends to proceed with the following next steps with a view to developing Hong Kong into a regional carbon trading centre:

- (i) develop Hong Kong into a global, high-quality VCM, leveraging Hong Kong's status as a champion of international standards, a facilitator to channel global capital into the Mainland, and an international financial centre with a stable and mature regulatory system;
- (ii) collaborate with relevant authorities and stakeholders to work towards establishing the GBA Unified Carbon Market in line with Mainland policies to strengthen GBA cooperation;
- (iii) explore opportunities to link up international investors with the GBA Unified Carbon Market and potentially the national emissions trading system; and
- (iv) strengthen cooperation with the Guangzhou Futures Exchange (GFEX) on carbon market development to enable Hong Kong to act as the Mainland's offshore risk management centre.

The Steering Group will consider which market and regulatory model would be the most appropriate, and prepare a detailed roadmap, implementation plan and indicative timeline after consulting market experts and relevant authorities.

Besides, the International Platform on Sustainable Finance published in November 2021 the Common Ground Taxonomy (CGT) report, which could help define what activities are considered to contribute significantly to climate change mitigation as well as reduce the risk of green washing. The Steering Group will, with the aim of aligning with the CGT, explore developing a green classification framework for adoption in the local market which

facilitates easy navigation among the CGT, the Mainland's and the EU's taxonomies, aligning Hong Kong's regulatory standards with international best practice.

Hong Kong Exchanges and Clearing Limited (HKEX) signed a Memorandum of Understanding (MoU) with GFEX in August 2021 with a view to driving a green and low-carbon market in the GBA and supporting sustainable development through the promotion of exchanges and cooperation in areas such as clearing, technology, marketing and investor educational efforts. HKEX also signed a MOU with the Guangzhou-based China Emissions Exchange in March 2022 to explore cooperation opportunities in carbon finance, including jointly exploring the development of a voluntary carbon emission reduction programme in the GBA, with the aim of supporting the country's efforts to peak carbon emissions and reach carbon neutrality; and working together to share research and experience on carbon market financing and global carbon market standards, to help boost the internationalisation of the Mainland's carbon market. Moreover, Hong Kong's first carbon futures Exchange Traded Fund (ETF) was listed on the HKEX on 23 March 2022, which extends the coverage of Hong Kong-listed commodity ETFs to carbon credits, an important asset class in the global drive to achieving carbon neutrality.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)036

(Question Serial No. 0831)

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 Matters Requiring Special Attention in 2022-23 that the Branch will oversee the operation of the Hong Kong Growth Portfolio (HKGP). In this regard, please provide this Committee with the following information:

- i. a detailed list of the investment projects of HKGP;
- ii. the performance of HKGP in the past year; and
- iii. the number of fund companies managing the HKGP, how the management fees are collected, and the key indicators to evaluate the performance of these management companies.

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 6)

Reply:

A two-tier committee framework has been established for the Hong Kong Growth Portfolio (HKGP), including a Governance Committee and an Investment Committee, to take forward the initiative. The Investment Committee will formulate selection criteria in accordance with the investment guidelines specified by the Governance Committee, and decide on the appointment of general partners (GPs) based on those criteria. Appointed GPs are responsible for sourcing projects and making investments direct for HKGP. Generally speaking, a project that can benefit Hong Kong, could be regarded as having a Hong Kong nexus, including a project that would be undertaken by a Hong Kong-based company, or would take place in Hong Kong, would be a good starting point.

Since private equity projects are long-term investments which would take time to realise their return, it would be more appropriate to appraise its outcome over a longer-term horizon. However, given that the public would regard the return of HKGP as one of the most important yardsticks in evaluating its effectiveness, we agree that making reasonable disclosure in the interest of public accountability is important. The Government therefore accepts the recommendation of the Expert Group that the return of HKGP should be

disclosed after five years of establishment, while at the same time, encourage the public to focus on its long-term return instead of the return in the initial years.

The Government has so far appointed eight private equity firms as GPs. Given specific charging arrangements concern sensitive commercial information in service contracts, we are not in a position to disclose further details. The Investment Committee will monitor the performance of GPs, including performing post-investment monitoring with the support of the Hong Kong Monetary Authority, such as reviewing whether relevant investments could fulfill the investment objectives and mandates stipulated by the Governance Committee, whether the portfolio construction is overly concentrated, and risk profile, etc. It would also conduct meetings with relevant institutions regularly to understand their investment performance and compliance situation.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)037

(Question Serial No. 0832)

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 paragraph 75 of the Budget Speech that “developing the bond market in Hong Kong has been one of our key objectives in recent years. Apart from promoting the diversification of bond products, we strive to move towards the development direction of financial inclusion, enabling the public to participate and benefit from such inclusion.” In this regard, please inform this Committee of the following.

- i. Currently, what are the types of bond available for retail investors of Hong Kong? What is the amount involved? How many investors have participated? Is there any roadmap for the development of financial inclusion?
- ii. What measures will the Government take to enhance the prospectus requirements and to facilitate the participation of retail investors? Have any targets been set?
- iii. Is there any timetable for the Government to further enable more retail investors to participate in bond trading? If no, what are the reasons?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 7)

Reply:

In general, bonds targeting members of the public (i.e. including retail investors) are regarded as retail bonds. There are also further categorisation of such bonds by the market, such as by issuers (e.g. Government, public bodies or private companies), the denominated currencies and listing status, etc. According to the information provided by the Hong Kong Exchanges and Clearing Limited (HKEX), the number of debt securities newly listed on HKEX that were for the public (retail bonds) and the fund raised in the past five years are tabulated below:

Year	Number	Fund raised (HK\$ billion)
2017	10	23
2018	6	11
2019	7	24
2020	7	37
2021	7	49

As at 8 March 2022, there were 61 retail bonds listed on HKEX with a total outstanding amount of around HK\$137.6 billion. They were mainly Exchange Fund Notes, Government retail bonds and the bonds issued by the Ministry of Finance of the People's Republic of China. For details, please refer to the website of HKEX <https://www.hkex.com.hk/Market-Data/Securities-Prices/Debt-Securities>.

The Steering Committee on Bond Market Development in Hong Kong (Steering Committee) set up last year has reviewed the development of the bond market in Hong Kong and put forward a series of strategic directions and recommendations, including the promotion of financial inclusion, to further develop the bond market. In terms of specific measures, the Steering Committee recommends the study of development of an electronic bond trading platform to facilitate secondary transactions and expand the investor base, to be augmented by exploration of ways to enhance the prospectus requirements and, having due regard to investor protection, make it easier for retail investors to participate in and share the fruits of the bond market development. The Government, together with the Securities and Futures Commission and HKEX, will follow up on the recommendation on enhancing the prospectus requirements, and will consult market participants and report on the progress in due course.

While taking forward the above initiatives, the Government will continue to issue retail bonds through the Government Bond Programme and the Government Green Bond Programme for the general public to directly participate in the bond market. Since 2011, the Government has issued retail bonds totalling HK\$152 billion under the Government Bond Programme. The Government plans to launch no less than HK\$60 billion of retail bonds in total under the two bond programmes in 2022-23 for public subscription.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)038

(Question Serial No. 0833)

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 Matters Requiring Special Attention in 2022-23 that the Pilot Green and Sustainable Finance Capacity Building Support Scheme and the Pilot Scheme on Training Subsidies for Fintech Practitioners will be introduced. In this connection, will the Government inform this Council of the following:

- i. the expenditures involved by the two schemes; whether the schemes will be regularised in the future;
- ii. the trades participating in the previous financial training schemes and the distribution of the participating trades; and
- iii. the number of existing training schemes for financial practitioners, the effectiveness of each of the schemes, the number of participants as well as the expenditure incurred by each of the schemes?

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 8)

Reply:

(i)

We are actively implementing the development of professional qualifications recognised under the Qualifications Framework for Fintech practitioners. The first batch of Fintech professional qualifications for the banking sector is expected to be rolled out this year. We will also implement the Pilot Scheme on Training Subsidy for Fintech Practitioners this year to provide around 1,500 places for financial practitioners who have attained Fintech professional qualifications to be reimbursed with 80 per cent of the tuition fees; and conduct a consultancy study with a view to continuing developing Fintech professional qualifications for different financial sectors, thereby promoting comprehensive professional development of Fintech talent. The allocation for the two measures is \$43 million. We will monitor the implementation of the scheme and conduct review in due course.

In addition, the Government plans to launch a Pilot Green and Sustainable Finance Capacity Building Support Scheme to provide subsidies for practitioners in the financial and other relevant sectors to participate in green and sustainable finance training and obtain relevant professional qualifications, so as to encourage them to enroll in the relevant training, and help build up the local green and sustainable finance talent pool. According to the current plan, the scheme will cover practitioners in the financial services field and persons from relevant sectors who need to build up their knowledge in green and sustainable finance. Eligible courses or qualifications to be subsidised will be devised after taking into account views of relevant parties and other places' experiences. The scheme will last for 3 years with an estimated provision of \$200 million. Assuming a reimbursement cap of \$10,000 per person, the number of beneficiaries of the scheme would be 20 000. We will review the way forward of the scheme in a timely manner in the light of its effectiveness and the industry's feedback.

(ii) & (iii)

The Government has in recent years actively injected resources to boost training projects for financial services practitioners. For example, we allocated \$100 million and launched the "Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector" in 2016, and have subsequently extended the Pilot Programme to 2022-23. As at February 2022, the key outcomes of various initiatives under the Pilot Programme are set out below –

Insurance Sector

- (1) 12 224 participants have taken part in 240 training courses in the Financial Incentive Scheme for Professional Training; and
- (2) 366 students have completed the Internship Programme for Undergraduate Students.

Asset and Wealth Management Sector

- (1) 3 179 applications for course fee reimbursement have been approved under the Financial Incentive Scheme for Professional Training; and
- (2) 427 students have completed the Internship Programme for Undergraduate Students.

The Pilot Programme has also enhanced the public's (particularly among the youth) understanding of the employment opportunities and career prospect of the sectors through various channels, including career fairs, online social media campaigns and campus career seminars.

In addition, the Government entrusted the Cyberport to implement the Financial Practitioners Fintech Training Programme with an allocation of \$2.5 million in 2020. In view of the positive feedback from the industry, we launched a new round of the Training Programme in February this year, with the same allocation amount of \$2.5 million, which comprises the Webinars Series and Incentive Scheme. We have entrusted the Cyberport to arrange the Webinars Series for financial practitioners to apply. Practitioners who have successfully completed the courses would be provided a full course fee subsidy. The last round of this training had benefitted more than 1 200 practitioners from the banking, insurance and securities sectors. We expect to benefit more practitioners in the new round making full use of the capacity of web-based learning. Furthermore, trade associations in the securities and insurance sectors may apply under the Incentive Scheme for a one-off

direct subsidy with the maximum amount of \$100,000 to each approved training programme to tailor-make training programmes for their practitioners. We expect that at least 10 trade associations will benefit from the scheme. There are no limits imposed on the number of participating practitioners. We expect to enhance practitioners' knowledge of the practical application of Fintech through the Training Programme, thus accelerating the digital transformation of the financial service to boost the long term competitiveness of our financial services sector.

Financial regulators in Hong Kong also set up in 2019 the Hong Kong Academy of Finance. The Academy invited senior management and promising talents from financial institutions, professional services, and the academia to join as members, and encouraged them to participate in the Academy's Leadership Development Programme to develop financial leadership.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)039

(Question Serial No. 0834)

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 2022-23 that the Branch will enhance Hong Kong's regulatory regime for combatting money laundering and terrorist financing by, inter alia, introducing a licensing regime on "virtual asset" service providers, and oversee the implementation of the relevant measures. Please inform this Committee of:

- i. how enforcement will be stepped up to combat money laundering and terrorist financing, and the expenditure involved;
- ii. the details of the licensing regime for "virtual asset" service providers and the scope of "virtual assets"; and
- iii. Hong Kong's regulation of "virtual assets" in comparison with other countries.

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 9)

Reply:

- (i) To address the risks of money laundering and terrorist financing, the Government has been adopting a multi-agency collaboration approach in establishing a comprehensive anti-money laundering and counter-terrorist financing system for Hong Kong. The Government reviews and strengthens Hong Kong's anti-money laundering and counter-terrorist financing regime from time to time in light of new developments and pursuant to the updated standards set by relevant inter-governmental organisations such as the Financial Action Task Force (FATF).

The Government plans to establish a licensing regime for "virtual asset" service providers and a registration system for the dealers of precious metals and stones (DPMS) by amending the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO), to impose statutory obligations on both industries to combat money laundering and terrorist financing. The legislative exercise will be carried out by relevant bureaux, departments and regulator using existing resources, and we do not have a breakdown specific for this exercise. The Securities and Futures Commission

(SFC) and the Customs and Excise Department (C&ED) will be responsible for implementing the licensing and registration regimes, respectively. Additional resources for implementing the DPMS registration regime will be provided to C&ED, including the creation of 67 non-directorate permanent posts; the provision of a \$47 million recurrent budget; and the provision of non-recurrent allocations amounting to \$23 million for the employment of short-term non-civil service contract staff and the establishment of a new registration system.

- (ii) Under the proposed statutory licensing regime, the Government proposes to designate the business of operating a “virtual asset” exchange as a “regulated virtual asset activity” and require anyone who intends to engage in such regulated activity to apply for a licence from the SFC. By implementing a licensing regime, the SFC can ensure that the operators of “virtual asset” exchanges will meet the relevant “fit and proper” criteria and comply with various requirements to deal with risks of money laundering and terrorist financing and at the same time protect investors. In February 2022, we consulted the Panel on Financial Affairs on the relevant proposals and are currently planning to introduce the amendment bill to the Legislative Council this year.
- (iii) Some economies, such as Singapore, the United Kingdom and Japan, have already implemented a regulatory regime for "virtual asset" service providers. Since many economies have set up their regulatory regime primarily to meet the FATF's requirements, the design of their regimes usually focus more on anti-money laundering considerations. In contrast, Hong Kong's proposed licensing regime will include additionally elements of investor protection. For example, the regime will consider applicants' company and management structure, and will also require the business model to be sound, with detailed risk management policies and other listing and counter-market manipulation measures. Moreover, to further promote investor protection, our regime will also stipulate that "virtual asset" service providers can only provide services to professional investors.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)040

(Question Serial No. 0835)

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 estimate for the Financial Services Branch for 2022-23 is 52.2% lower than the original estimate for 2021-22. This is mainly due to the reduced cash flow requirement for the eMPF Platform Project in 2021-22. In this regard, please inform this Committee of:

- i. the reason for the reduction in the cash flow requirement;
- ii. the operating expenditure on the eMPF Platform for the coming year;
- iii. any other reasons for the reduction in the estimate; and
- iv. the details of the existing general non-recurrent items, the time of completion for these items and their effectiveness.

Asked by: Hon LEE Wai-wang, Robert (LegCo internal reference no.: 10)

Reply:

Our response to the multi-pronged question is as follows.

(i) & (iii)

The major reasons for the reduction of \$1,136.9 million for the eMPF Platform Project (eMPF Project) in the Revised Estimates of the Financial Services Branch in 2021-22 are as follows:

- (1) The Original Estimates for the eMPF Project in 2021-22 was made on the basis of a more front-loaded payment schedule of the Project at the time when the Project was at its initial preparatory stage and before the Project was tendered out in 2020. It was assumed then that the majority of the Project payment would be made in the earlier part of the Project period. Of the reduction of \$1,136.9 million in the Revised Estimates, a major portion (around \$1,083.0 million) was deferred payment reflecting the actual payment schedule in the contract as signed with the contractor in 2021 and the adjusted cashflow requirement of the Project

in the year 2021-22. The relevant payment will be made in the later years of the Project.

- (2) The Mandatory Provident Fund Schemes Authority (MPFA) established a wholly-owned subsidiary, the eMPF Platform Company Limited (the Company) in March 2021 to take forward the eMPF Project. The Company's operating expenditure relating to staff costs and office expenses in its early days of inception were lower than expected. The Revised Estimates for 2021-22 reflects the savings in this area (around \$53.75 million).

(ii)

The estimated expenditure for the eMPF Project in 2022-23 is around \$613.4 million, of which around \$459.6 million is for meeting the costs of project development while the remaining of some \$153.8 million is the Company's estimated expenditure. As these fundings would be disbursed to the MPFA in March 2022, the relevant expenditure is reflected in the Revised Estimates for 2021-22.

(iv)

The details of the existing general non-recurrent items under Financial Services Branch are as follows :

	Items	Estimated time of completion and effectiveness
1.	Funding for promoting and facilitating the development of the financial services sector (commitment: \$1,273 million - note 1)	Since its inception in 2018-19, this general non-recurrent item provides funding support to further promote and facilitate the development of the financial services sector on various fronts by launching subsidy schemes, organising promotion events, as well as supporting training initiatives for nurturing financial talents. Details of the various initiatives involved are set out at Annex .
2.	Funding requirements for the eMPF Platform for the administration of Mandatory Provident Fund (MPF) registered schemes (commitment: \$4,939 million)	<p>The eMPF Platform is a common and integrated electronic platform of the MPF System that will standardize, streamline and automate the administration processes of MPF schemes, thereby enhancing operational efficiency, reducing administration costs and improving user experience of the MPF System. When the eMPF Platform is in place, we expect that the average MPF administration fee would be reduced by around 30% in the first two years. The total cumulative quantifiable cost savings to scheme members would possibly be in the range of \$30 billion to \$40 billion in 10 years after operation of the Platform.</p> <p>The Legislative Council has approved a total provision of around \$4.939 billion to fund the software and hardware development, system maintenance and initial operation of the eMPF Platform.</p>

		Our working target is to complete the development of the eMPF Platform by end-2022 at the earliest to enable sequential and orderly onboarding of MPF trustees and their schemes to the Platform starting from around April 2023, thereby making the eMPF Platform fully functional in 2025.
3.	Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector (commitment: \$100 million)	<p>The Pilot Programme launched in August 2016 will complete in the fiscal year 2022-23.</p> <p>During the period of August 2016 to February 2022, the key outcomes of various initiatives under the Pilot Programme are set out below:</p> <p>Insurance Sector:</p> <ol style="list-style-type: none"> (1) 12 224 participants have taken part in 240 training courses in the Financial Incentive Scheme for Professional Training; and (2) 366 students have completed the Internship Programme for Undergraduate Students. <p>Asset and Wealth Management Sector:</p> <ol style="list-style-type: none"> (1) 3 179 applications for course fee reimbursement have been approved under the Financial Incentive Scheme for Professional Training; and (2) 427 students have completed the Internship Programme for Undergraduate Students. <p>The Pilot Programme has also enhanced the public's (particularly among the youth) understanding of the employment opportunities and career prospect of the sector through various channels, including career fairs, online social media campaigns and campus career seminars.</p>

Note 1: The commitment for this item, as approved in 2018-19 and 2021-22, was \$1,020 million. We are seeking to increase its commitment to \$1,273 million in the context of the Appropriation Bill 2022.

**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 entities issuing bonds in Hong Kong for the first time. The scheme successfully attracted many enterprises to issue bonds in Hong Kong for the first time, which helped promote the development of Hong Kong's bond market. During the scheme period, a total of 87 applications were approved with a total bond issuance size of US\$32.3 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. With expiry of the scheme in May 2021, 47 applications had been approved involving a total issuance size of over US\$15 billion.

Green and Sustainable Finance Grant Scheme

Upon their expiry in May 2021, the Pilot Bond Grant Scheme and the Green Bond Grant Scheme were consolidated into the 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. As at February 2022, over 50 applications have been approved involving a total of over US\$20 billion worth of green and sustainable debt instruments.

Pilot Green and Sustainable Finance Capacity Building Support Scheme

Having regard to the new trend of developing low-carbon and sustainable economy, we plan to launch a Pilot Green and Sustainable Finance Capacity Building Support Scheme. Under the scheme, subsidies will be provided for the training and acquisition of relevant professional qualifications, so as to encourage practitioners in the financial and other relevant sectors to participate in the training. The scheme will last for three years and the estimated provision is \$200 million.

Pilot Scheme on Training Subsidies for Fintech Practitioners

To promote comprehensive professional development of Fintech talents, we will implement the Pilot Scheme on Training Subsidies for Fintech Practitioners to provide around 1 500 places for financial practitioners who have attained Fintech professional qualifications to be reimbursed with 80% of the tuition fees.

Consultancy Study on developing Fintech professional qualifications

We will conduct a consultancy study on developing Fintech professional qualifications for different financial sectors.

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

To promote continuous innovation of the financial sector, we will allocate \$10 million for launching a new round of Fintech Proof-of-Concept Subsidy Scheme this year.

Pilot Insurance-linked Securities (ILS) Grant Scheme

The Government launched this two-year scheme in May 2021 to provide subsidies to insurance enterprises or organisations issuing ILS in Hong Kong to cover their upfront costs, which enhances the competitiveness of Hong Kong as a domicile for ILS. Depending on the maturity of the ILS, the subsidy is subject to a cap of \$12 million or \$6 million per issuance. The total funding provision for the pilot scheme is \$48 million.

Subsidy Scheme for Open-ended Fund Company (OFC)

The item was used for supporting the Subsidy Scheme for Open-ended Fund Companies (OFC) from 2021-22 to 2023-24 to encourage the setting up of OFC in Hong Kong. As at March 2022, 21 applications were approved with a total of \$9.4 million disbursed under the scheme.

Subsidy Scheme for Real Estate Investment Trusts (REIT)

The item was used for supporting the Subsidy Scheme for Real Estate Investment Trusts (REIT) from 2021-22 to 2023-24 to encourage the listing of REIT in Hong Kong. As at March 2022, one application was approved with a total of \$8 million disbursed under the scheme.

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 policymakers and influential members of the global financial and business community to discuss developments and trends in the global economy and explore business opportunities in the Mainland and the rest of the world. The number of AFF participants has been increasing over the years, from some 800 for AFF 2007 to over 7 000 participants from 80 countries and regions joining AFF 2022 virtually.

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.

Promotion of Fintech through InvestHK

We provide funding support to the dedicated team in InvestHK for promotion of Hong Kong's advantages in the Mainland and overseas, including the conduct of the annual flagship event "Hong Kong Fintech Week" in the fourth quarter this year, to attract more

Fintech companies and talents from different places to develop Fintech business in Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)041****(Question Serial No. 0648)**

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 stated in paragraph 156 of the Budget Speech that “At the end of 2019, the Government relaxed the Mortgage Insurance Programme (MIP) of the HKMC Insurance Limited. Public response was positive with the property market remaining stable.” This year, the Government will continue to relax the MIP. In this connection, will the Government inform this Committee of:

- (1) the business growth of, the total number of applications and the total amount of loans under the MIP in 2019, 2020 and 2021 respectively; and
- (2) the numbers of applications for mortgage insurance in 2019, 2020 and 2021 by property value and loan-to-value (LTV) ratio in the table form suggested below?

Number of Applications for Mortgage Insurance in 2019		
Property Value	LTV Ratio below 80%	LTV Ratio at or above 80%
At or below HK\$6 million		
Above HK\$6 million and at or below HK\$8 million		
Above HK\$8 million and at or below HK\$9 million		
Above HK\$9 million and at or below HK\$10 million		

Asked by: Hon LEUNG Yuk-wai, Kenneth (LegCo internal reference no.: 4)

Reply:

- (1) The table below sets out the total number of new loans drawn down and the total loan amount under the Mortgage Insurance Programme in the past three years:

Year	Total number of new loans drawn down	Total loan amount (HK\$million)	Yearly change of the number of new loans drawn down (%)	Yearly change of the total loan amount (%)
2019	8,278	\$33,282	-1%	+3%
2020	18,554	\$98,313	+124%	+195%
2021	23,846	\$132,558	+29%	+35%

- (2) The table below sets out the number of new loans drawn down broken down by property value and loan-to-value (LTV) ratio under the Mortgage Insurance Programme in the past three years:

	80% LTV ratio or below			Above 80% LTV ratio		
Year	2019	2020	2021	2019	2020	2021
HK\$6 million or below	6,719	4,849	4,835	1,369	4,540	5,176
Above HK\$6 million to HK\$8 million	72	2,554	3,550	65	2,954	4,493
Above HK\$8 million to HK\$9 million	18	1,186	1,787	0	348	761
Above HK\$9 million to HK\$10 million	35	2,123	3,244	N/A		

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)042

(Question Serial No. 0611)

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 Mortgage Insurance Programme (MIP), please advise this Committee of:

1. the respective numbers of mortgage loans of a maximum cover of 90 per cent and 80 per cent loan-to-value (LTV) ratio applied, the respective percentages of such loans under the MIP and in the property transactions volumes, and the respective average property prices of such mortgage loans in each of the past 5 years;
2. the impact on the rising property price upon raising the maximum property value eligible for the MIP in 2019; and whether any assessment has been conducted in this regard;
3. the average debt servicing ratio of loans under the MIP over the past 5 years; and whether the price of small and medium flats will go up due to the raising of the maximum property value eligible for the MIP, thus further aggravating the debt servicing ratio;
4. whether it will consider introducing progressive payment mortgage into the MIP; and if so, the progress of the work; if not, whether it will carry out relevant studies?

Asked by: Hon NG Chau-pei, Stanley (LegCo internal reference no.: 10)

Reply:

- (1) The table below sets out the number of new loans drawn down and the average property value under the Mortgage Insurance Programme (MIP) in the past five years:

Year	Number of new loans drawn down (ratio)		Average property value (HK\$million)	
	80% or below loan-to-value ratio	Above 80% loan-to-value ratio	80% or below loan-to-value ratio	Above 80% loan-to-value ratio
2017	6,372 (72%)	2,457 (28%)	\$4.81	\$3.73
2018	6,805 (81%)	1,550 (19%)	\$5.08	\$3.81
2019	6,844 (83%)	1,434 (17%)	\$5.22	\$4.03
2020	10,712 (58%)	7,842 (42%)	\$6.80	\$5.76
2021	13,416 (56%)	10,430 (44%)	\$7.13	\$6.06

Note: The HKMC Insurance Limited does not have information on the proportion of new loans drawn down under the MIP to the property transactions volumes.

- (2) The property market is affected by a range of factors. We do not have specific assessment of the adjustment in the loan-to-value ratios of mortgage loans on local property prices.
- (3) The average debt-to-income (DTI) ratio ranged between 36% and 40% in the past five years under the MIP. While the applicable property value caps of the MIP have been adjusted, borrowers are still required to meet specific eligibility criteria for their applications, including a maximum DTI ratio of 50% and the need to meet the stressed DTI ratio. For applicants with mortgage loans exceeding an loan-to-value ratio of 80%, HKMCI has imposed additional eligibility criteria, including that the borrowers must be first-time homebuyers and regular-salaried.
- (4) The progressive payment mortgage is newly proposed by a social enterprise for its development projects with details yet to be worked out. We will continue to monitor developments on the matter.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)043

(Question Serial No. 0769)

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 paragraph 90 of the Budget Speech and Head 148 – Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch) that a sum of \$5 billion under the Future Fund will be used to set up a GBA Investment Fund to capture investment opportunities in the Greater Bay Area (GBA).

1. The National 14th Five-Year Plan makes clear the positioning of Hong Kong's development as the centres in eight major areas. How will the Hong Kong Special Administrative Region (HKSAR) Government measure the proportions of investment in each centre under the Future Fund?
2. Has the HKSAR Government set any specific target investment returns?
3. HKSAR is well positioned to develop into a renminbi green bonds financing centre in the GBA. In fact, there is a considerable demand for the development of renminbi green products in the Mainland nowadays. Will the HKSAR Government make good use of the \$5 billion of the GBA Investment Fund to promote and complement the development of the GBA into a national green product financing centre?

Asked by: Hon NG Kit-chong, Johnny (LegCo internal reference no.: 14)

Reply:

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, so as to develop a high-quality Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area). Under the new development pattern of “dual circulation”, the Government will, in accordance with the

content of the 14th Five-Year Plan, capitalise on 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 vision of the Hong Kong Growth Portfolio (HKGP), including the GBA Investment Fund, is to make strategic investments in projects with a Hong Kong nexus, with a view to reinforcing Hong Kong's status as a financial, commercial and innovation centre and raising Hong Kong's productivity and competitiveness in the long run, while seeking reasonable risk-adjusted returns.

The GBA Investment Fund will focus on projects in the Greater Bay Area that can benefit Hong Kong, including projects that would be undertaken by Hong Kong-based companies, or companies with investment in the Greater Bay Area. Apart from those industries (including real estate and tobacco industry) that the Expert Group advised earlier that HKGP should not invest in, we do not rule out any projects in other industries meeting relevant investment guidelines, including projects that can promote the development of green finance.

Separately, the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area supports Hong Kong's development into a green finance centre in the Greater Bay Area. Leveraging Hong Kong's strengths as an international financial centre and the gateway between China and the rest of the world, Hong Kong is well positioned to connect the flow of green and sustainable funds with the Mainland and the world to help promote green investments and ecological civilisation on the Mainland.

Last year, the Shenzhen Municipal People's Government issued offshore RMB municipal government bonds totalling RMB5 billion in Hong Kong, including green bonds. This is the first time a Municipal People's Government issues bonds in Hong Kong which testifies to the strength of Hong Kong as a platform for the issuance of various green and sustainable finance products in Hong Kong. We will continue take forward the relevant work on green finance through different channels, including maintaining liaison with the Mainland authorities and promoting the Green and Sustainable Finance Grant Scheme to encourage more Mainland entities to use Hong Kong's platform for green and sustainable investment, financing and certification.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)044****(Question Serial No. 0419)**

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:

Overseeing the operation of the Hong Kong Growth Portfolio is one of the initiatives under Matters Requiring Special Attention in 2022-23 of this Programme. To nurture enterprises that are relatively more mature and have good potential for contribution to Hong Kong's economy, it is also mentioned in paragraph 90 of the Budget that the Government will increase the funding allocated to the Hong Kong Growth Portfolio under the Future Fund by \$10 billion, of which \$5 billion will be used to set up a new investment fund, namely the Strategic Tech Fund, while the remaining \$5 billion will be used to set up a Greater Bay Area (GBA) Investment Fund, which will focus on investment opportunities in the GBA. In this connection, would the Government inform this Committee of the following:

1. What are the implementation details of the Strategic Tech Fund and the GBA Investment Fund?
2. While traditional enterprises and industries in Hong Kong are upgrading and restructuring their operations, start-ups have also proliferated in the market. In the Finance Committee meeting of the Legislative Council held on 24 February 2022, the Financial Secretary Paul Chan stated that the investment scope of GBA Investment Fund would not only take into account the financial return but also the importance of both the social benefits to Hong Kong and its long-term strategic development. He also pointed out that a support for our traditional and outstanding industries such as the textiles and clothing industry was definitely worth consideration. Apart from the emerging industries, will the Government consider the inclusion of traditional enterprises and industries in the relevant fund so as to facilitate more Hong Kong enterprises to integrate into the overall development of the country? If yes, what are the details? If no, what are the reasons?
3. The industrial sector, including the textiles and clothing industry, has been an important pillar for the research and development as well as commercialisation of innovative technologies. Meanwhile, our textiles and clothing industry has all along been playing a significant role in the world. As at July 2021, there were a total of 134 textile, clothing and accessories companies listed in Hong Kong and 14 of them with a market capitalisation of over HK\$10 billion. Through the integration of

innovative technologies, the industry's development potential should definitely not be underestimated. Some described the Strategic Tech Fund as the "Hong Kong version of Temasek". Will the Government allocate additional manpower and resources to strengthen the communication with the industrial sector and canvass its views so as to enrich and enhance the above two funds and explore the application of these funds to the industrial sector? If yes, what are the details? If no, what are the reasons?

Asked by: Hon TAN Sunny (LegCo internal reference no.: 4)

Reply:

The vision of the Hong Kong Growth Portfolio (HKGP) is to make strategic investments in projects with a Hong Kong nexus, with a view to reinforcing Hong Kong's status as a financial, commercial and innovation centre and raising Hong Kong's productivity and competitiveness in the long run, while seeking reasonable risk-adjusted returns.

The Financial Secretary announced in the Budget to increase the funding allocated to the HKGP by \$10 billion, of which \$5 billion will be used to set up a new investment fund, namely the Strategic Tech Fund. The Government is proceeding with the relevant preparatory work, and will invite the Hong Kong Science and Technology Parks Corporation and the Cyberport to identify technology enterprises which are of strategic value to Hong Kong as well as investment opportunities conducive to enriching the innovation and technology ecosystem.

Separately, the GBA Investment Fund will focus on projects in the Greater Bay Area that can benefit Hong Kong, including projects that would be undertaken by Hong Kong-based companies, or companies with investment in the Greater Bay Area. The Investment Committee of HKGP will formulate selection criteria in accordance with the investment guidelines specified by the Governance Committee, as well as specific policy objectives and investment directions of the GBA Investment Fund. Apart from those industries (including real estate and tobacco industry) that the Expert Group advised earlier that HKGP should not invest in, we do not rule out any projects from other industries meeting relevant investment guidelines.

The Financial Services and the Treasury Bureau (Financial Services Branch), with the support of the Hong Kong Monetary Authority, will assist the work for establishing the GBA Investment Fund, and will listen to views of different sectors including the industrial sector in the process. Relevant work will be absorbed by the Bureau's existing resources and manpower.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)045

(Question Serial No. 0378)

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 development of green finance, please inform this Committee of the following:

- (1) The Green and Sustainable Finance Grant Scheme launched last year has approved over 50 applications so far. What kinds of green and sustainable debt instruments do the Scheme cover? What are the obstacles currently faced by Mainland and local enterprises in issuing green bonds?
- (2) What is the current position of the use of the estimated funding of \$255 million for the 3-year Green and Sustainable Finance Grant Scheme?
- (3) Given that the Government will lower the minimum loan size from \$200 million to \$100 million in respect of applications for subsidies for covering external review costs under the Scheme, how many additional enterprises are expected to receive support for green financing?
- (4) It is mentioned in the latter part of the Budget Speech that the Government will explore different ways to broaden revenue sources. Does the Government intend or plan to explore the introduction of "carbon taxes"? What are the reasons?
- (5) Given the extremely positive response for the recent issuance of retail green bonds, does the Government plan to increase the issuance size and frequency?

Asked by: Hon TAN Yueheng (LegCo internal reference no.: 6)

Reply:

The Central People's Government has set out in 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 to promote comprehensive green transformation of economic and social development, and endeavour to have carbon dioxide emissions peak before 2030 and achieve carbon neutrality before 2060. In Hong Kong, the Chief Executive announced in her 2020 Policy Address that the Hong Kong Special Administrative Region will strive to achieve carbon neutrality before 2050. The

Government has been working in concert with the financial regulators and the industry and taking a multi-pronged strategy to promote green and sustainable finance, with a view to contributing to achieve the carbon neutrality goal in the Mainland and in Hong Kong, and consolidating Hong Kong's position as a green and sustainable finance hub in the region. Our response to the various parts of the question is as follows:

1. The Government launched in May 2021 a 3-year Green and Sustainable Finance Grant Scheme (Grant Scheme) to provide subsidy for eligible bond issuers and loan borrowers including Mainland and Hong Kong enterprises to cover their expenses on bond issuance and external review services. Noting that the issuance of green bonds often incurs extra time and cost as compared with the issuance of conventional bonds, including for example identification of green projects, setting performance target of sustainable development and obtaining external review reports, etc., the Government launched the Grant Scheme with a view to attracting more green and sustainable bond issuers and loan borrowers to use Hong Kong's fundraising platform and professional services. The approved applications under the Grant Scheme include various kinds of green and sustainable debt instruments such as green bonds, sustainability bonds, green loans and sustainability-linked loans.
2. The Grant Scheme has been well received by the industry since its launch. As at end February 2022, over 50 applications have been approved under the Grant Scheme, involving around \$65 million of subsidy. We will continue to promote the Grant Scheme among market participants to encourage issuance of green and sustainable bonds and loans in Hong Kong and attract more financial and professional service providers and external reviewers to set up or expand services in Hong Kong, with a view to establishing a well-rounded green finance ecosystem.
3. Among the applications approved under the Grant Scheme, many of them involved subsidies for covering the external review costs relating to green and sustainable loans. Lowering the minimum loan size threshold in respect of applications for subsidies for covering external review costs would facilitate relatively small enterprises in obtaining green financing. After consultation with the industry, we lowered the threshold from \$200 million to \$100 million, with a view to benefitting more enterprises interested in green transformation. At present, the Grant Scheme subsidises the full cost of eligible expenses (including pre-issuance external review and post-issuance external review or reporting) paid to recognised external reviewers, capped at \$800,000 per bond issuance or loan. Since announcement of the measure in the 2022-23 Budget, we have received enquiries about the application procedures for loans at below \$200 million. For the moment, it is difficult to estimate the number of beneficiaries since the green financing market for relatively small enterprises is still in the development stage. The additional cost of the measure will be borne by the existing funding commitment of the Grant Scheme. We will maintain regular contact with the industry and review the effectiveness of the scheme from time to time.
4. Carbon pricing, including carbon tax, could reduce carbon emissions through the market mechanism or by making use of the market forces. Carbon tax could curb emissions by incentivising a move away from carbon-intensive production of large emitters such as refineries and steel industries, etc. As Hong Kong's economy is predominantly supported by the tertiary industry and the number of large emitters is

limited, carbon tax is not considered an effective tool to reduce carbon emissions in Hong Kong.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)046

(Question Serial No. 0714)

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

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

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:

Regarding talent training for the financial sector, please inform this Committee:

- (1) of the approximate number of practitioners in the financial sector to be subsidised under the 3-year Pilot Green and Sustainable Finance Capacity Building Support Scheme;
- (2) of the expected number of practitioners in the securities and insurance sectors covered by the new round of Financial Practitioners FinTech Training Programme;
- (3) whether the Government, in connection with nurturing and training sustainable development and fintech talents, has established a regular co-operation mechanism with the tertiary institutions to effectively propel the strength of resources in Hong Kong academia;
- (4) whether the Government has considered promoting transformation of the senior corporate management to nurture sustainable development and fintech talents in the middle and senior level, such as the introduction of Green Finance and Sustainable Development Leadership Programme and Fintech Leadership Programme?

Asked by: Hon TAN Yueheng (LegCo internal reference no.: 5)

Reply:

- (1) The “Pilot Green and Sustainable Finance Capacity Building Support Scheme” aims to provide subsidies for practitioners in the financial and other relevant sectors to participate in green and sustainable finance training and obtain relevant professional qualifications, so as to encourage them to enroll in the relevant training, and help build up the local green and sustainable finance talent pool. According to the current plan, the scheme will cover practitioners in the financial services field and persons from relevant sectors who need to build up their knowledge in green and sustainable finance. Eligible courses or qualifications to be subsidised will be devised after taking into account views of relevant parties and other places’ experiences. The scheme will last for 3 years with an estimated provision of \$200 million. Assuming a

reimbursement cap of \$10,000 per person, the number of beneficiaries of the scheme would be 20 000. Since formulation of the implementation details is still in progress, the actual number of beneficiaries can only be confirmed after the implementation details are finalised.

- (2) The new round of the Financial Practitioners FinTech Training Programme was launched on 24 February this year, comprising the Webinars Series and Incentive Scheme. The Financial Services and the Treasury Bureau has entrusted the Cyberport to arrange the Webinars Series for financial practitioners to apply. Practitioners who have successfully completed the courses would be provided a full course fee subsidy. The last round of this training had benefitted more than 1,200 practitioners. We expect more practitioners would benefit in the new round making full use of the capacity of web-based learning, and would welcome participation of securities and insurance practitioners. In addition, trade associations in the securities and insurance sectors may apply under the Incentive Scheme for a one-off direct subsidy with the maximum amount of \$100,000 for each approved training programme to tailor-make training programmes for their practitioners. We expect that at least 10 trade associations will benefit from the scheme. There are no limits imposed on the number of participating practitioners.
- (3) On Fintech development, the Government encourages cooperation among the academic, financial and Fintech sectors to nurture Fintech talents. At present, many local universities and the Vocational Training Council have launched Fintech-related higher diploma, bachelor and master degree programmes. Starting from the 2018/19 academic year, the designated self-financing undergraduate studies under the Government's "Study Subsidy Scheme for Designated Professions/Sectors" have included Fintech-related courses. Students taking these programmes would receive subsidies. The University Grants Committee has since the 2020/21 academic year launched the "Targeted Taught Postgraduate Programmes Fellowships Scheme" as a pilot for five cohorts to provide fellowships to meritorious local students pursuing designated postgraduate programmes in priority areas conducive to the development of Hong Kong. Fintech-related courses are included. We would continue with our regular liaison with the sector (including the academic sector) and cooperation with the financial regulators to monitor the need of the sector and room for development in order to formulate corresponding support measures, including nurturing talent to address the need of the sector.

On green and sustainable finance development, the Centre for Green and Sustainable Finance (GSF Centre), established by the Green and Sustainable Finance Cross-Agency Steering Group, has set up a working groups comprising members from the academia and the industry to develop strategies and support policy implementation to promote capacity building and enhance data analytics capability. We will continue to leverage on the resources of local universities in supporting development of young talent and capacity building of the industry and will strengthen collaboration with them in areas of green and sustainable finance related data and analytics tools in particular.

- (4) Financial regulators in Hong Kong have set up the Hong Kong Academy of Finance to develop financial leadership, covering various topics that include sustainable development and Fintech. Apart from the Financial Practitioners FinTech Training

Programme mentioned above in which management staff in the financial services sector are welcome to participate, the GSF Centre is also advancing related work on green and sustainable finance to promote capacity building and talent development in the industry, which will benefit persons at different (including middle and senior) levels.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)047****(Question Serial No. 0496)**

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 paragraph 126 of the Budget Speech, it is necessary to attract talent to Hong Kong to ensure the sustainable development of Hong Kong's economy. What policies does the Financial Secretary have (from the perspective of implementing fiscal policies, or from the perspective of a higher position implementing governance of Hong Kong) to attract talent and money back to Hong Kong amid the prevalent trends of emigration and enterprises leaving Hong Kong?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 4)

Reply:

The key objective of attracting talents to come and stay in Hong Kong is to maintain Hong Kong's overall competitive advantage. As such, the Policy Address and the Budget released earlier included various measures that have been formulated in response to the development needs of Hong Kong's economy, some of which are focused on nurturing and attracting talents. Relevant key measures include:

- (i) Doubling the annual quota of the Quality Migrant Admission Scheme (QMAS) to 4 000. Eligible applicants who meet the professional specifications of the Talent List of Hong Kong will also be awarded bonus points under the "General Points Test" of QMAS. The Talent List covers various professions of Hong Kong's priority industries including Fintech talent. Upon the completion of a review on the List in 2021, the Government has added "professionals in compliance in asset management" and "financial professionals in Environmental, Social and Governance" to the List ;
- (ii) Exploring the extension of the Immigration Arrangement for Non-local Graduates to cover graduates of Hong Kong universities' Greater Bay Area campuses to attract

talents from these institutions to work in Hong Kong, so as to further enhance Hong Kong's human capital and competitiveness;

- (iii) Adopting a strategic approach in enhancing promotion of the opportunities and facilitating measures provided by Hong Kong to target at high priority markets (such as the Mainland, Europe, North America and ASEAN) through InvestHK's close collaboration with Government bureaux/departments and stakeholders; and
- (iv) Attracting innovation and technology talents through schemes including the InnoHK research clusters, the Global STEM Professorship Scheme, and the Technology Talent Admission Scheme, etc.

As regards finance talents, while striving to combat the epidemic, Hong Kong as an international financial centre is committed to staying connected with the Mainland and overseas markets, so as to keep expanding the scope of development of our financial market. One of our key strategies is to assist the industry in seizing the emerging opportunities arising from the development of Fintech as well as green and sustainable finance. To this end, we have announced related measures in the latest Budget, such as providing subsidies for the training and acquisition of professional qualifications related to green and sustainable finance, and actively implementing the development of professional qualifications recognised under the Qualifications Framework for Fintech practitioners as well as encouraging them to pursue the professional qualifications through provision of subsidies.

We will continue to monitor the talent supply in various industries and implement suitable measures in a timely manner to retain local talents and attract high-quality foreign talents to come to Hong Kong in facilitation of the long-term development of Hong Kong's economy.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)048****(Question Serial No. 0784)**

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:

While The Financial Services and the Treasury Bureau (FSTB) assists the Financial Secretary in overseeing the Mandatory Provident Fund Schemes Authority (MPFA), the Financial Services Branch under it has the responsibility of “formulating policies and/or introducing legislative proposals covering the Mandatory Provident Fund (MPF) schemes operation”. I have criticised the MPFA for its unsatisfactory performance and investment losses for 10 consecutive years on many occasions, please inform this Committee of the following:

- (1) What is the latest operation and financial position of the MPFA? What are the changes compared with the previous 3 financial years?
- (2) Amid the COVID-19 pandemic as well as the unstable global market with sharp falls in the equity and foreign exchange markets last year (in particular the Hong Kong stock market with a return rate lagging behind globally), an average MPF contributor suffered a loss of about \$5,400 in the year. Please provide the total fund management fees charged by each MPF trustee on their contributors and the proportion of the such management fees in the total MPF assets in the 2021-22 financial year, so that the contributors can see if there is a problem where their gains are shrinking while the trustees are “pocketing” the management fees. If no such information is available, what are the reasons?
- (3) Further to the above question, as I have proposed repeatedly that the FSTB should formulate policies to require the MPFA to maintain a record on the management fees charged by the trustees, thus enabling the contributors to assess whether they are value for money, what are the reasons for the MPFA not accepting my proposal and publicising the relevant information?
- (4) Some members of the public have relayed to me that while the Government and the MPF trustees have the power to require the public to make monthly MPF contributions, they should also have the obligation to inform the contributors of the actual amount drawn from their contributions as management fees each month (like the amount charged as shown in water/electricity bills instead of a “rate of charge”). Besides, as it is mentioned under Programme (1) that the FSTB assists the Financial Secretary in

overseeing the MPFA, the FSTB has an undeniable responsibility to compile, acknowledge and release to the public on a regular basis the annual total amount of management fees charged by each trustee, any increase or decrease in that amount and the investment performance. Will the Bureau and the MPFA promise to compile, acknowledge and release the above statistics regularly from this year onwards? If no, what are the reasons? If yes, what will be the additional manpower and expenditure involved in the statistical survey?

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

Reply:

Our response to the multi-pronged question is as follows:

(1)

Since its establishment in 1998, the Mandatory Provident Fund Schemes Authority (MPFA) has been relying 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 the end of the 2021-22 financial year, the balance of the Capital Grant is estimated to be around \$2.4 billion, with about 4.72% annualized net investment return of the Capital Grant. At the same time, MPFA has implemented various cost-cutting measures over the years to minimise its operating expenses such as relocating its offices from the core business districts, reducing or freezing the total headcounts from 646 in 2015-16 to 601 in 2022-23, and strictly controlling the overall expenses on personal emoluments. The MPFA's financial position in the past three years and its proposed budget for 2022-23 is shown below:

(HK\$ million)	2019-20	2020-21	2021-22 Revised Estimates	Proposed 2022-23 Budget	Annualized Change in %
Income	146.31	428.78	468.24	442.81	44.65%
Operating Expenditure	531.07	546.00	558.49	579.95	2.98%
Deficit of the Year	(384.76)	(117.22)	(90.25)	(137.14)	(29.1%)
Balance of Capital Grant	2,628.5	2,511.23	2,400.62	2,263.48	(4.86%)

In order to maintain its long-term financial sustainability, the MPFA has been collecting annual registration fee (ARF) from trustees at a rate of 0.03% per annum on the net asset value of registered Mandatory Provident Fund (MPF) schemes since 1 October 2020 on the basis of achieving cost recovery for the MPFA's exercise and performance of functions with respect to registered MPF schemes. The ARF income for 2021-22 is estimated to be around \$348.75 million. The prevailing ARF rate 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 rate is applicable for the first six years and will be subject to review from the seventh year with a view to achieving full cost recovery for the MPFA.

(2)

The total assets under management of the MPF System have exceeded \$1,180 billion, of which about \$366 billion is the net return after fees and charges. Since the inception of the MPF System in December 2000, the annualised rate of return (ARR) is 4.3% after fees and charges, which is higher than the annualised inflation rate of 1.8% over the same period.

The Government and the MPFA have been striving to improve the MPF System over the years by introducing various measures such as low fee funds and the Default Investment Strategy, with a view to lowering the fee levels. The average fund expense ratio (FER) of the MPF System, which measures the total expenses of a fund as a percentage of the fund's net asset value, has seen a downward trend from 2.1% in 2007 to 1.42% in 2021. The average FER and the ARR of all MPF schemes in the past 3 years are as follows:

Calendar year	Average FER	ARR
2019	1.46%	4.1%
2020	1.44%	4.8%
2021	1.42%	4.3%

Upon implementation of the eMPF Platform and assuming a platform fee at 30-40 basis points during the first two-year transitional period, it is estimated that the eMPF Platform would bring down the average administrative fees of MPF funds by around 30%, while the overall FER would be reduced by more than 10%. With progressive reduction of the platform fee to about 20-30 basis points after the first 10 years of the platform operation (i.e. around 2032), the average administrative fees of MPF funds will be reduced by over half as compared to the current level.

(3)

The MPFA is committed to enhancing the transparency of MPF funds, and has been publishing the average FER on the MPFA website since 2007. To help MPF scheme members make comparison of different constituent funds and schemes including their fee levels, the average FER of each of the 411 MPF constituent funds under 27 MPF schemes offered by 13 MPF scheme trustees have been uploaded to the MPF Fund Platform on the MPFA's website (https://mfp.mpfa.org.hk/tch/mpp_index.jsp). The MPF Fund Platform also provides the breakdown of fee rates charged by each service provider of each fund. The MPF Fund Platform can rank and show the expense and fee levels charged by trustee, scheme or fund, thereby facilitating scheme members to make comparison. Relevant fee information is also disclosed in the MPF Scheme Brochure (or known as "offering document").

(4)

To further assist scheme members to access their account information and enhance transparency of fees of MPF funds, the Mandatory Provident Fund Schemes (Amendment) Ordinance 2021 enacted by the Legislative Council on 22 October 2021 stipulates, inter alia, further requirements on fee disclosure. Trustees are required by law to include in the annual benefit statements they issued to scheme members an estimate of each type of fee charged in each member account as expressed in Hong Kong dollars and as a percentage, as

well as the FER and return of each relevant fund in which the member invested during that financial period. Upon implementation of the eMPF Platform and with the central register maintained by the system operator, scheme members will be able to easily access and download their latest annual benefit statements as well as information on fees and return therein.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)049

(Question Serial No. 0902)

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:

Please inform this Committee of the following:

The Government has launched a number of loan schemes amid the epidemic, including the 100% Loan Guarantee for Individuals Scheme and the SME Financing Guarantee Scheme. As a considerable number of small and medium enterprises are on the verge of closing down due to the persistent unstable epidemic situation and a lot of people continue to emigrate, has the Government assessed the number of write-offs by the Treasury caused by applicants of the above Schemes who “emigrate and default on loan payment”, become insolvent or deliberately refuse to repay loans? If yes, what are the estimated numbers and percentage of these cases and the amount of “defaults”? If no, will an assessment be made right away?

Asked by: Hon TSE Wai-chun, Paul (LegCo internal reference no.: 8)

Reply:

The 100% Personal Loan Guarantee Scheme (PLGS) is a relief measure which aims at providing a supplementary financing option for tiding over the interim difficulty of individuals suffering from cessation of main recurrent incomes from employment in Hong Kong due to the outbreak of coronavirus disease 2019. Applicants have to be Hong Kong permanent residents holding a valid Hong Kong identity card aged 18 or above. When applying for PLGS loans, the applicants have to declare and demonstrate that they have been unemployed and have suffered from cessation of main recurrent incomes from employment in Hong Kong for at least two months. In view of the impact of the fifth wave of local outbreak of coronavirus disease 2019 on various sectors and the labour market, the Financial Secretary announced in the 2022-23 Budget the extension of the scheme for one year to end-April 2023 and introduction of new enhancement measures for the scheme, which include (i) increasing the maximum loan amount per applicant from six times to nine times of his/her average monthly income during employment and the ceiling

from \$80,000 to \$100,000; (ii) extending the maximum repayment period from six years to 10 years; and (iii) extending the maximum duration of principal moratorium from 12 months to 18 months.

As of end-February 2022, the cumulative default rate of the PLGS was around 1.2%, lower than the assumed overall default rate of the scheme (25%). To ensure proper handling of loans, a control and safeguard mechanism including the following measures has been put in place under the scheme:

- (1) Participating lending institutions (PLIs) will exercise professional expertise, judgement and care in conducting customer due diligence and verification of the eligibility of loan applicants.
- (2) HKMC Insurance Limited (HKMCI) will also conduct appropriate checks and strive to ensure that the approved applications meet the requirements.
- (3) The PLIs will report the repayment history of borrowers to relevant credit reference agencies.
- (4) The PLIs will initiate debt recovery actions on defaulted loans according to their existing policies and procedures.

The Government has been helping businesses obtain commercial loans by providing loan guarantees under the SME Financing Guarantee Scheme (SFGS), including implementing the Special 100% Guarantee Product specifically to help address the liquidity issue facing enterprises affected by the pandemic. As at end February 2022, the default rates of the 80%, 90% and Special 100% Guarantee Products of the SFGS were 3.75%, 0.47% and 0.74% respectively, lower than the respective assumed default rates of 12%, 16% and 25%. To ensure that the SFGS benefits enterprises in genuine need, the HKMCI will continue to apply the following safeguard measures –

- (1) personal guarantee must be provided by individual shareholder(s) or partners who directly or indirectly hold more than 50% of the equity interest of the enterprise;
- (2) the applicant is not the subject of any default claim/civil suits filed by financial institution(s), or under any winding-up or bankruptcy petitions or proceedings; and
- (3) the loan proceeds should not be used for repaying, restructuring or repackaging existing debts due by the applicant to the relevant lending institution.

The default rates of the PLGS and the SFGS may change subject to a host of factors such as the overall economic environment, the conditions of individual sectors and borrowers, etc. The HKMCI is required to report regularly to the Government on the implementation status of the schemes and to submit annual audit reports for the schemes prepared by independent auditors. The Government will continue to monitor closely the implementation of the two schemes and ensure the prudent use of public money.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)050

(Question Serial No. 0006)

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 that the Government will submit to the Legislative Council this year a subsidiary legislation on the implementation of the new independent regulatory regime of the accounting profession and auditors by the Financial Reporting Council (FRC). In this connection, please inform this Committee of the estimated expenditure in relation to the new functions of the FRC in the coming three years. What is the amount of resources earmarked for the FRC to implement the new independent regulatory regime of the accounting profession and auditors? What are the details? Moreover, will the Government consider allocating more resources to the FRC in the coming three years so that the FRC may waive the levies payable by registered certified public accountants (practising) and auditors? If yes, what are the details, and if no, the reasons.

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 1)

Reply:

The Legislative Council (LegCo) passed the Financial Reporting Council (Amendment) Bill 2021 in October 2021 to enhance Hong Kong's regulatory regime of the accounting profession. We plan to submit the relevant subsidiary legislation to LegCo in Q2 this year for commencement of the new regulatory regime by the end of 2022. Under the new regime, the powers for issuance of practising certificates and registration of practice units will be transferred from the Hong Kong Institute of Certified Public Accountants (HKICPA) to the Financial Reporting Council (FRC), and the FRC will correspondingly collect the relevant application fees currently payable to the HKICPA. The Government has committed to exempt these fees in the first year of implementation of the new regime. Thereafter, the FRC will collect the relevant fees which will initially be set at a level no higher than that currently collected by the HKICPA.

The FRC's operating expenditure for its current functions for the regulation of Public Interest Entities auditors will be covered by the corresponding levies collected since

1 January 2022. According to the FRC's budget for 2022-23, the estimated additional operating expenditure for the newly expanded functions under the new regulatory regime expected to commence by end-2022 is around \$56.24 million. The FRC will not have fee income for the new functions in 2022-23 because of the Government's fee exemption arrangement. The expenditure can be covered by the unspent balance of the \$400 million seed capital injected to the FRC by the Government in 2019 for reforming the regulatory regime, of which the outstanding balance at the beginning of 2022- 23 is estimated at about \$210.54 million.

We will keep the FRC's financial position in the next few years under review, and will brief the LegCo Panel on Financial Affairs on the FRC's budgets each year.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)051

(Question Serial No. 0007)

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 are the new initiatives and measures in place to promote further participation of our accounting profession and auditors in the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and facilitate our accounting profession and auditors to tap into the GBA market in the next 3 years? If there are such initiatives and measures, what are the details and the expenditure involved? If there are no such initiatives and measures, what are the reasons?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 2)

Reply:

The Legislative Council passed the Financial Reporting Council (Amendment) Bill 2021 in October 2021 to enhance Hong Kong's regulatory regime of the accounting profession. We are pressing ahead with various preparatory work with a view to commencing the new regulatory regime by the end of 2022, which will help keep up the professional standard and competitiveness of the accounting profession.

We will also work with the Financial Reporting Council, Hong Kong Institute of Certified Public Accountants and the accounting profession on measures to facilitate the development of Hong Kong's accounting profession. These include supporting the profession's continuous professional development needs, and exploring further the profession's development opportunities in the Mainland, especially in the Greater Bay Area. At present, under the framework of the Agreement on Trade in Services of the Mainland and Hong Kong Closer Economic Partnership Arrangement, the requirements for Hong Kong certified public accountants (CPA) who have obtained the Mainland CPA qualification to become partners of partnership accounting firms in the Mainland have been given national treatment. Qualified Hong Kong CPAs enjoy exemption from certain examination papers when they take the Mainland's CPA examination, and there have been some 1 800

successful applications for the exemption as of now. On the basis of the Plan for Comprehensive Deepening Reform and Opening Up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone promulgated by the CPG in September 2021, we are exploring with the Qianhai Authority measures that would further facilitate Hong Kong certified public accountants (practising) (CPA(practising)) to provide service in the Qianhai Cooperation Zone, and pursuing the inclusion of Hong Kong CPA(practising)s in Qianhai's policies for high-end talents outside of the Mainland.

The aforementioned work handled by the Financial Services Branch will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)052

(Question Serial No. 0008)

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 regarding Financial Services for 2021-22 is \$1,144.2 million lower than the original estimate, a difference of as much as 50%. It is stated that the substantial difference between the two is mainly due to the reduced cash flow requirement of \$1,136.9 million for the eMPF Platform Project. In this connection, will this Committee be informed of whether the current reduced cash flow of \$1,100 million regarding the eMPF Platform Project is achieved through cost savings or a deferred payment of the relevant costs?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 3)

Reply:

The major reasons for the reduction of \$1,136.9 million for the eMPF Platform Project (Project) in the Revised Estimates of the Financial Services Branch in 2021-22 are as follows:

- (1) The Original Estimates for the Project in 2021-22 was made on the basis of a more front-loaded payment schedule of the Project at the time when the Project was at its initial preparatory stage and before the Project was tendered out in 2020. It was assumed then that the majority of the Project payment would be made in the earlier part of the Project period. Of the reduction of \$1,136.9 million in the Revised Estimates, a major portion (around \$1,083.0 million) was deferred payment reflecting the actual payment schedule in the contract as signed with the contractor in 2021 and the adjusted cashflow requirement of the Project in the year 2021-22. The relevant payment will be made in the later years of the Project.
- (2) The Mandatory Provident Fund Schemes Authority established a wholly-owned subsidiary, the eMPF Platform Company Limited (the Company) in March 2021 to

take forward the Project. The Company's operating expenditure relating to staff costs and office expenses in its early days of inception were lower than expected. The Revised Estimates for 2021-22 reflects the savings in this area (around \$53.75 million).

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)053

(Question Serial No. 0013)

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 tax concessions would be provided for the eligible family investment management entities managed by single-family offices and that the sector would be consulted on the detailed proposal as soon as possible. In offering the tax concessions, will there be measures to facilitate greater use of services from our small and medium enterprises by family offices, including securities, legal and accounting services? If yes, what are the details?

Asked by: Hon WONG Chun-sek, Edmund (LegCo internal reference no.: 9)

Reply:

In considering the tax concessions for eligible family investment management entities (FIMEs) managed by single family offices, a main policy objective is to bring their investment management and related activities to Hong Kong in order to help the industry seize new business opportunities.

In compliance with the Organisation for Economic Cooperation and Development's latest international taxation standards, FIMEs which would benefit from the proposed tax regime will be required to carry out their core income generating activities (CIGA) in Hong Kong, including having an adequate number of full-time qualified employees and incurring an adequate amount of operating expenditure for carrying out the CIGAs in Hong Kong during the basis period for the year of assessment concerned. Moreover, we will also require FIMEs to meet a minimum threshold on their assets under management. It is envisaged that the proposal would generate more demand for investment management and other related professional services (including financial, legal, and accounting services) in Hong Kong, as well as deepen the funding pool in Hong Kong to create more business opportunities for the financial sector (including small and medium-sized enterprises).

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)054

(Question Serial No. 0469)

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:

In connection with the use of part of the funding allocated to the Hong Kong Growth Portfolio to set up a GBA Investment Fund, which will focus on investment opportunities in the Greater Bay Area (GBA), will the Government inform this Committee of the following:

- a) As regards the Government's GBA Investment Fund project, which department will be responsible for the administration of the fund and what are the specific directions under consideration in respect of the investment portfolio? Will consideration be given to having a certain proportion of investment made in Hong Kong enterprises or joint ventures set up by Hong Kong people in the portfolio, so as to promote the development of Hong Kong enterprises in the GBA? If yes, what are the details of the relevant policy? If no, what are the reasons?
- b) What profits and returns are expected to be brought to the Hong Kong economy and society by the GBA Investment Fund project?
- c) What specific measures or plans will be implemented in respect of the GBA Investment Fund and the estimated expenditure involved?

Asked by: Hon WONG Kwok, Kingsley (LegCo internal reference no.: 10)

Reply:

The vision of the Hong Kong Growth Portfolio (HKGP) is to make strategic investments in projects with a Hong Kong nexus, with a view to reinforcing Hong Kong's status as a financial, commercial and innovation centre and raising Hong Kong's productivity and competitiveness in the long run, while seeking reasonable risk-adjusted returns.

The GBA Investment Fund will focus on projects in the Greater Bay Area that can benefit Hong Kong, including projects that would be undertaken by Hong Kong-based companies, or companies with investment in the Greater Bay Area. The Investment Committee of HKGP will formulate selection criteria in accordance with the investment guidelines

specified by the Governance Committee, as well as specific policy objectives and investment directions of the GBA Investment Fund.

The Financial Services and the Treasury Bureau (Financial Services Branch), with the support of the Hong Kong Monetary Authority, will assist the work for establishing the GBA Investment Fund. Relevant work will be absorbed by the Bureau's existing resources and manpower. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)055

(Question Serial No. 0025)

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:

Given the unstable epidemic situation and the over-stringent anti-epidemic measures in Hong Kong, there are rumours about many foreign companies claiming to relocate their offices out of Hong Kong. Taking into account the above and the effect of some vicious rumours circulating abroad from time to time, is there any substantial impact on Hong Kong's financial and investment services?

The Financial Services Development Council stated that it would promote the financial services industry of Hong Kong through organising and participating in different promotional activities in Hong Kong, the Mainland and overseas. What are the details of the specific work concerned?

Asked by: Hon WONG Ying-ho, Kennedy (LegCo internal reference no.: 8)

Reply:

Amid the global pandemic, companies often adjust their business practices due to manpower deployment or operational needs. Overall, Hong Kong remains a destination of choice for investment and business. According to the latest results of annual surveys, the number of business operations in Hong Kong with parent companies overseas or in the Mainland has risen to 9 049 and the number of start-ups in Hong Kong has increased to 3 755 in 2021.

The National 14th Five-Year Plan clearly supports Hong Kong in enhancing our status as an international financial centre, which is further supported by our unique advantages under "One Country, Two Systems" and various institutional strengths, including our sound regulatory regime and robust risk management. The Linked Exchange Rate System and various sectors of our financial markets have been functioning smoothly. The Government and financial regulators will continue to closely monitor financial market to maintain financial stability.

Despite the challenges of the pandemic, the Financial Services Development Council (FSDC) has successfully rolled out a number of new initiatives to broaden its reach to target audiences in the global financial markets. Apart from participating in events such as Asian Financial Forum, Hong Kong FinTech Week, London City Week and FSDC Industry Exchange Series, the FSDC also established new partnerships with various local and international organisations. Some examples include –

GIIN Impact Investing Roundtable for Large Asset Owners

By leveraging the **Global Impact Investing Network (GIIN)**'s knowledge and connection, the partnership supported Hong Kong's role in sustainable investment and strengthened its role as a centre of green finance.

Asia Scotland Institute Webinar

This inaugural partnership event titled "Asia's Global Financial Centre – Hong Kong in the 21st century" drew overseas audiences in the financial services industry to discuss key aspects of the competitiveness of Hong Kong as a global financial centre.

Horasis Asia Meeting

Organised by the Pacific Basin Economic Council, the event explored how Asian governments, investors and the banking sector approach the novelty of green investment and support innovation for a green transformation.

Asia Summit on Global Health

The FSDC's sponsored panel at the inaugural summit took a holistic view in examining the role of Hong Kong's financial market in facilitating the overall development of the healthcare ecosystem.

HK-Israel Collaboration Forum

With the aim of strengthening Hong Kong as a family office hub in Asia, a collaboration forum was organised in partnership with the Israeli Consulate General to provide networking opportunities with the Israel startup communities for family offices in Hong Kong and the Mainland.

Furthermore, the FSDC has also strengthened its connection with stakeholders in the city and the rest of the world through digital and social media channels, including launching the following digital and social media initiatives –

Forbes Digital Content Partnership

The partnership leverages Forbes' enormous readership and audience in global markets and the existing Forbes BrandVoice digital platform established by BrandHK. It covers Hong Kong's development in ESG, asset and wealth management, FinTech and connectivity to the Mainland, with a view to promoting Hong Kong's role as an international financial centre and its thought leadership.

Hong Kong Success Story Video Series

To provide the living proof to the global audience Hong Kong's image as an international financial centre and business hub by featuring the success stories.

The FSDC's effort is evidenced by substantial growth in its followers and website visits. The growth of the FSDC's followers on LinkedIn, Twitter and YouTube were 421%, 1 388%

and 366% respectively from 2020 to 2021. The FSDC website also gained 314 731 page views in 2021 with 83% of them being new visitors. To further extend its reach with different stakeholders, the FSDC has also officially launched its WeChat and will continue to explore new digital channels.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)056

(Question Serial No. 0431)

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 2022-23 of Programme (1) under Head 148 that the Financial Services Branch will “promote the development of green ... finance in Hong Kong” and “promote the development of financial technologies in Hong Kong”. Please inform this Committee of the following:

- (1) What is the estimated expenditure of the Branch for the above two initiatives? How will the money be used specifically? In view of the community's growing consensus on the importance of green finance and financial technologies to future development, how much has the estimated expenditure for this year increased compared with the past two years?
- (2) Further to the above question, as “promote the development of financial technologies in Hong Kong” is a matter requiring special attention, is the expense of developing Central Bank Digital Currency (CBDC) included in the above estimate? If yes, what is the amount of the expense? If not, what are the reasons? Will the Government consider using CBDC as one of the channels for dispensing electronic consumption vouchers and different types of subsidies in future?
- (3) Further to question (1), in which the importance of green finance is mentioned, since it has become a global trend to take environmental, social and governance (ESG) factors into account in the investment process, the Hong Kong Monetary Authority, as the manager of the Exchange Fund, will consider such factors in the selection, appointment and monitoring of external investment managers. In this connection, does the Treasury, which manages a range of investment portfolios as mentioned in Programme (4) under Head 188 – Treasury, take ESG factors into account in managing the funds within its purview and in its communication with portfolio managers so as to improve the investment returns and minimise the risks while setting a good example for the investment market? If yes, what are the specific practices? If not, what are the reasons?

Asked by: Hon WONG Yuen-shan (LegCo internal reference no.: 3)

Reply:

(1) and (2)

The Government attaches great importance to the development of green and sustainable finance and Fintech in Hong Kong.

On developing green and sustainable finance, the Central People's Government has set out in 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 to promote comprehensive green transformation of economic and social development, and endeavour to have carbon dioxide emissions peak before 2030 and achieve carbon neutrality before 2060. In Hong Kong, the Chief Executive announced in her 2020 Policy Address that the Hong Kong Special Administrative Region will strive to achieve carbon neutrality before 2050. The Government has been working in concert with financial regulators and the industry and taking a multi-pronged strategy to promote green and sustainable finance, with a view to contributing to achieving the carbon neutrality goal in the Mainland and in Hong Kong, and consolidating Hong Kong's position as a green and sustainable finance hub in the region. Specifically, our major work in 2022-23 includes –

Green bonds

The Government has successfully issued Government green bonds under the Government Green Bond Programme totalling over US\$7 billion equivalent since May 2019, which were well received by the global investment community. In particular, we issued a total of RMB 5 billion green bonds for the first time in November last year, including a 3-year tranche and a 5-year tranche, setting an important benchmark for potential issuers. The Government also announced in February this year the offering details of the inaugural retail green bond for public subscription. Subject to the development of the epidemic situation, the Government will relaunch the subscription arrangement for the retail green bond in due course for the participation of the general public. We doubled the borrowing ceiling of the Government Green Bond Programme to \$200 billion last year and will, having regard to the market situation, continue to issue green bonds, including RMB green bonds, to provide a pricing reference for the market. We will continue to issue green bonds totalling about US\$4.5 billion or equivalent (i.e. about HK\$35 billion) in 2022-23, including no less than HK\$10 billion of retail green bonds

Standard setting

The Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) formed by relevant Government bureaux and financial regulators promulgated a Strategic Plan in December 2020 to strengthen Hong Kong's financial ecosystem for a greener and more sustainable future. Among others, the Steering Group is promoting disclosures aligned with the recommendations of the Task Force on Climate-related Financial Disclosures across relevant sectors no later than 2025 and the suitable adoption of the sustainability disclosure standards to be developed by the International Financial Reporting Standards Foundation. In addition, the International Platform on Sustainable Finance published in November 2021 the Common Ground Taxonomy ("CGT") report, which could help define what activities are considered to contribute

significantly to climate change mitigation as well as reduce the risk of green washing. The Steering Group will, with the aim of aligning with the CGT, explore developing a green classification framework for adoption in the local market which facilitates easy navigation among the CGT, the Mainland's and the EU's taxonomies, aligning Hong Kong's regulatory standards with international best practice.

Capacity building

The Steering Group launched the Centre for Green and Sustainable Finance in July 2021 to coordinate efforts of financial regulators, industry stakeholders and academia in capacity building and policy development. The Centre will launch information portals on green and sustainable finance data and resources and promote talent development in the industry. The Government also plans to launch a Pilot Green and Sustainable Finance Capacity Building Support Scheme, which aims to provide subsidies for practitioners in the financial and other relevant sectors to participate in green and sustainable finance training and obtain relevant professional qualifications, so as to encourage them to enroll in the relevant training, and help build up the local green and sustainable finance talent pool. According to the current plan, the scheme will cover practitioners in the financial services field and persons from relevant sectors who need to build up their knowledge in green and sustainable finance. Eligible courses or qualifications to be subsidised will be devised after taking into account views of relevant parties and other places' experiences. The scheme will last for 3 years with an estimated provision of \$200 million. Assuming a reimbursement cap of \$10,000 per person, the number of beneficiaries of the scheme would be 20 000.

Carbon market opportunities

The Steering Group has published at end March 2022 a preliminary feasibility assessment for Hong Kong to pursue carbon market opportunities and is of the view that Hong Kong's success factor in adding value to global carbon markets lies in our close links with the Mainland, which enables us to facilitate global capital flows into the Mainland's carbon markets. In addition, Hong Kong's green certification services at international level and familiarity with both Mainland and international standards will enable us to serve as a bridge to the world for China which will, in turn, contribute to the development of the carbon market. Specifically, Hong Kong can leverage the work of the relevant international institution on voluntary carbon markets (VCMs) and financial expertise to develop a centralised and on-exchange VCM, so that buyers of carbon credits from Hong Kong, Mainland and overseas can have an additional and transparent purchase channel. Meanwhile, Hong Kong can be a bridge to the world for Mainland China's carbon credits and the underlying projects under the China Greenhouse Gas Voluntary Emission Reduction Programme administered by the Ministry of Ecology and Environment. Hong Kong is the gateway between the Mainland and international markets and has unique institutional advantages in facilitating international capital flows into the Mainland. Hong Kong should leverage its strengths to proactively assist and integrate into national and the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) developments, which are moving towards a comprehensive green transformation.

Based on the assessment, the Steering Group intends to proceed with the following next steps with a view to developing Hong Kong into a regional carbon trading centre:

- (i) develop Hong Kong into a global, high-quality VCM, leveraging Hong Kong's status as a champion of international standards, a facilitator to channel global capital into the Mainland, and an international financial centre with a stable and mature regulatory system;
- (ii) collaborate with relevant authorities and stakeholders to work towards establishing the GBA Unified Carbon Market in line with Mainland policies to strengthen GBA cooperation;
- (iii) explore opportunities to link up international investors with the GBA Unified Carbon Market and potentially the national emissions trading system; and
- (iv) strengthen cooperation with the Guangzhou Futures Exchange (GFEX) on carbon market development to enable Hong Kong to act as the Mainland's offshore risk management centre.

The Steering Group will consider which market and regulatory model would be the most appropriate, and prepare a detailed roadmap, implementation plan and indicative timeline after consulting market experts and relevant authorities.

Hong Kong Exchanges and Clearing Limited (HKEX) signed a Memorandum of Understanding (MoU) with GFEX in August 2021 with a view to driving a green and low-carbon market in the GBA and supporting sustainable development through the promotion of exchanges and cooperation in areas such as clearing, technology, marketing and investor educational efforts. HKEX also signed a MOU with the Guangzhou-based China Emissions Exchange in March 2022 to explore cooperation opportunities in carbon finance, including jointly exploring the development of a voluntary carbon emission reduction programme in the GBA, with the aim of supporting the country's efforts to peak carbon emissions and reach carbon neutrality; and working together to share research and experience on carbon market financing and global carbon market standards, to help boost the internationalisation of the Mainland's carbon market. Moreover, Hong Kong's first carbon futures Exchange Traded Fund (ETF) was listed on the HKEX on 23 March 2022, which extends the coverage of Hong Kong-listed commodity ETFs to carbon credits, an important asset class in the global drive to achieving carbon neutrality.

On developing Fintech, the Government strives to promote the development of Fintech in Hong Kong through enhancing financial infrastructure; building a more active Fintech ecosystem; nurturing talents; and strengthening connection and collaboration with the Mainland and overseas markets. Specifically, our major work in 2022-23 includes -

Enhancing financial infrastructure

- Continue promotion to boost the usage of the Faster Payment System, and expansion of its functionalities to support the development of electronic payment. The Hong Kong Monetary Authority (HKMA) will explore the introduction of more commercial data sources, including data kept by Government departments, for the Commercial Data Interchange. This will enable financial institutions, with the authorisation by the enterprises, obtain more data for conducting credit assessment, thereby facilitating small and medium enterprises to gain access to more convenient financing services.

- The HKMA is conducting a study on Central Bank Digital Currency (CBDC) as well as proof-of-concept projects with central bank counterparts including those of the Mainland and Thailand on the wholesale application of CBDC. On the retail front, other than participating in testing the cross-boundary use of e-CNY, the HKMA is also examining the feasibility of issuing e-HKD. It published a technical whitepaper in October last year, inviting the academia and industry to submit comments and expects to come up with an initial view on e-HKD in the middle of this year, including the potential use cases suggested by the industry.

Building the Fintech ecosystem and nurturing talents

- Launching a new round of the Fintech Proof-of-Concept Subsidy Scheme to promote continuous innovation of the financial industry, with an allocation of \$10 million.
- Implementing a new round of Financial Practitioners Fintech Training Programme to enhance financial practitioners' knowledge of the practical application of Fintech, with an allocation of \$2.5 million. Furthermore, to promote professional development of Fintech talents, we will implement the Pilot Scheme on Training Subsidies for Fintech Practitioners to subsidise tuition fees of practitioners who have attained Fintech professional qualifications recognised under the Qualifications Framework; and conduct a consultancy study on developing Fintech professional qualifications for different financial sectors. The allocation for the two measures is \$43 million.

Strengthening cooperation with the Mainland and overseas

- Taking forward the provision of a one-stop platform through a network between the People's Bank of China (PBoC) and the HKMA for financial institutions and technology companies to conduct pilot trials of cross-boundary Fintech projects concurrently in the two places. In addition, the PBoC and the HKMA will continue to deepen the connection between the eTradeConnect of Hong Kong with the PBoC Trade Finance Blockchain Platform, thereby providing importers and exporters of both places with more comprehensive and convenient trade finance services.
- Provision of funding support to the dedicated team in InvestHK for promotion of Hong Kong's advantages in the Mainland and overseas, including the conduct of the annual flagship event "Hong Kong Fintech Week" in the fourth quarter this year, to attract more Fintech companies and talents from different places to develop Fintech business in Hong Kong.

The work related to the promotion of the development of green and sustainable finance and Fintech in Hong Kong is being pursued jointly by the Government and the financial regulators. The related expenses will be absorbed from within existing resources in the Financial Services Branch. Apart from the aforementioned pilot capacity building support scheme and subsidy scheme (i.e. \$200 million (for 3 years) and about \$55.5 million respectively), we do not have a separate breakdown on the expenditure involved.

- (3) Regarding the funds of which the investments are managed by the Treasury, the investment guidelines provided to the investment managers set out the investment restrictions on certain types of assets which are not consistent with the investment

philosophy of the relevant funds in terms of environmental, social and governance (ESG) factors. In formulating the investment strategies, investment managers would conduct financial analyses and take into account factors including growth potential, long-term business sustainability from the environmental and social perspective as well as corporate governance. The Treasury will, in consultation with the investment committees of the funds, continue to introduce applicable ESG factors in formulating and refining investment strategies.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)057

(Question Serial No. 0916)

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 mentioned in paragraph 127 of the Budget Speech that the Government will introduce measures for enriching our local talent pool, which include providing training to talent and enhancing the skills, knowledge and creativity of our manpower resources. Would the Government advise this Committee of the following:

- (1) Regarding providing training to talent for the financial services industry as stated in the Budget Speech, please set out the relevant expenditure item(s) and the amount(s) involved;
- (2) Has the Government compiled any statistics on the total expenditure for implementing measures for enriching the talent pool, enhancing skills and so on in the past 5 years? If yes, please set out the items and amounts of expenditure involved; if not, does the Government plan to compile such statistics?

Asked by: Hon WONG Yuen-shan (LegCo internal reference no.: 5)

Reply:

(1)

The financial services talent training initiatives set out in this year's Budget focus on the two areas of Fintech and green and sustainable finance.

- (i) Fintech: We are actively taking forward the development of professional qualifications recognised under the Qualifications Framework for Fintech practitioners. The first batch of Fintech professional qualifications for the banking sector is expected to be rolled out this year. We will conduct a consultancy study with a view to continuing developing Fintech professional qualifications for different financial sectors, thereby promoting comprehensive professional development of Fintech talent. We will also implement the Pilot Scheme on Training Subsidy for Fintech Practitioners this year to provide around 1 500 places for financial practitioners who have attained Fintech

professional qualifications to be reimbursed with 80 per cent of the tuition fees. The allocation for the above measures is \$43 million.

In addition, the Government entrusted the Cyberport to implement the Financial Practitioners Fintech Training Programme with an allocation of \$2.5 million in 2020. In view of the positive feedback from the industry, we launched a new round of the Training Programme in February this year, with the same allocation amount of \$2.5 million, which comprises the Webinars Series and Incentive Scheme. We have entrusted the Cyberport to arrange the Webinars Series for financial practitioners to apply. Practitioners who have successfully completed the courses would be provided with full course fee subsidy. The last round of this training had benefitted more than 1 200 practitioners from the banking, insurance and securities sectors. We expect more practitioners would benefit in the new round making full use of the capacity of web-based learning. Furthermore, trade associations in the securities and insurance sectors may apply under the Incentive Scheme for a one-off direct subsidy with the maximum amount of \$100,000 to each approved training programme to tailor-make training programmes for their practitioners. We expect that at least 10 trade associations will benefit from the scheme. There are no limits imposed on the number of participating practitioners. We expect to enhance practitioners' knowledge of the practical application of Fintech through the Training Programme, thus accelerating the digital transformation of the financial service to boost the long term competitiveness of our financial services sector.

- (ii) Green and sustainable finance: We plan to launch a Pilot Green and Sustainable Finance Capacity Building Support Scheme to provide subsidies for practitioners in the financial and other relevant sectors to participate in green and sustainable finance training and obtain relevant professional qualifications, so as to encourage them to enrol in the relevant training, and help build up the local green and sustainable finance talent pool. According to the current plan, the scheme will cover practitioners in the financial services field and persons from relevant sectors who need to build up their knowledge in green and sustainable finance. Eligible courses or qualifications to be subsidised will be devised after taking into account views of relevant parties and other places' experiences. The scheme will last for 3 years with an estimated provision of \$200 million. Assuming a reimbursement cap of \$10,000 per person, the number of beneficiaries of the scheme would be 20 000.

(2)

The Government has in recent years actively invested resources to boost training projects for financial services practitioners. For example, we allocated \$100 million and launched the "Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector" in 2016, and have subsequently extended the Pilot Programme to 2022-23. As at February 2022, the key outcomes of various initiatives under the Pilot Programme are set out below –

Insurance Sector

- (1) 12 224 participants have taken part in 240 training courses in the Financial Incentive Scheme for Professional Training; and
- (2) 366 students have completed the Internship Programme for Undergraduate Students.

Asset and Wealth Management Sector

- (1) 3 179 applications for course fee reimbursement have been approved under the Financial Incentive Scheme for Professional Training; and
- (2) 427 students have completed the Internship Programme for Undergraduate Students.

The Pilot Programme has enhanced the public's (particularly among the youth) understanding of the employment opportunities and career prospect of the sectors through various channels, including career fairs, online social media campaigns and campus career seminars.

In 2019, financial regulators in Hong Kong set up the Hong Kong Academy of Finance, with senior management and promising talents from financial institutions, professional services, and the academia joining as members, participating in the Academy's Leadership Development Programme to develop financial leadership.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)058****(Question Serial No. 0670)**

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:

Middle-class families make important contributions to the economic development of society. Mortgage repayment, bringing up children and maintaining dependent parents are heavy burdens to them, and they face more difficulties in their work and daily lives amid the epidemic. The tax reduction ceiling mentioned in the Budget Speech is the same as that for last year, and is lower than the \$20,000 ceiling adopted two years ago. Besides, the maximum tax deductible limit of \$60,000 for qualifying deferred annuity premiums and tax deductible Mandatory Provident Fund voluntary contributions per year has not been adjusted for a long time. What measures does the Government have in place to relieve the hardship of middle-class families? Should the Government consider raising the aforementioned maximum tax deductible limit?

Asked by: Hon YIM Kong (LegCo internal reference no.: 2)

Reply:

To relieve the financial pressure on members of the public who have been affected by the epidemic, a series of one-off measures has been proposed in the 2022-23 Budget, which could also be enjoyed by middle-class families. The key measures include –

- (a) issuing electronic consumption vouchers with a total value of \$10,000 by instalments to each eligible Hong Kong permanent resident and new arrival aged 18 or above;
- (b) reducing salaries tax and tax under personal assessment for the year of assessment 2021/22 by 100%, subject to a ceiling of \$10,000;
- (c) providing rates concession for domestic properties for 2022-23, subject to a ceiling of \$1,500 per quarter in the first two quarters and a ceiling of \$1,000 per quarter in the remaining two quarters; and
- (d) granting each eligible residential electricity account a subsidy of \$1,000.

The 2022-23 Budget also proposes providing a tax deduction for domestic rental expenses starting from the year of assessment 2022/23 so as to ease the burden of renting a private property on taxpayers liable to salaries tax and tax under personal assessment who are not owners of domestic properties, subject to a deduction ceiling of \$100,000 for a year of assessment.

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 Mandatory Provident Fund voluntary contributions accounts, subject to a maximum tax deductible limit of \$60,000 each year of assessment per taxpayer. The objective of this tax deduction arrangement is to encourage members of the public to save for their retirement. Regarding the tax deduction limit, under the prevailing arrangement, a taxpayer paying tax at the standard rate of 15% can enjoy a maximum of \$9,000 tax saving per year. As at mid-January 2022, of the taxpayers who were allowed tax deduction, around 50% were allowed a tax deduction of less than \$60,000, suggesting that there is still much room for taxpayers to save more for their retirement under the prevailing tax deduction limit. We will monitor the situation and review the arrangement when necessary.

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