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Replies to supplementary 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

S-FSTB(FS)01

(Question Serial No. S012)

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 reply no. FSTB(FS)023 that “for Grandfathered Greater China issuer 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”. Would the Government advise this Committee on:

1. the scale of China Concept Stocks on secondary listing and dual primary listing respectively; and
2. the specific arrangements in place to attract secondary listed China Concept Stocks to convert their status to dual primary listing, in addition to grandfathering their WVR and VIE structures as stated in the reply.

Asked by: Hon LAM Chi-yuen, Nelson

Reply:

- (1) As far as “China Concept Stocks” are concerned, between the reform of secondary listing regime in 2018 and the end of March 2022, 16 and 3 “China Concept Stocks” issuers listed in the United States have returned to Hong Kong through secondary listing and dual primary listing respectively, the respective market capitalisation of which amount to about \$5,000 billion and \$580 billion.
- (2) Given that an increasing number of “China Concept Stocks” may choose to return from overseas markets and the demand for such listings is expected to continue to grow in future, the Hong Kong Exchanges and Clearing Limited (HKEX) conducted a holistic review of the relevant listing regime in 2020 and consulted the market in March 2021 on a set of proposals to further enhance and streamline the listing of Greater China issuers¹ in Hong Kong. With support from a majority of respondents, HKEX implemented the relevant measures in January 2022.

¹ Qualified issuers with a centre of gravity in Greater China.

Notably, if a Grandfathered Greater China issuer applies for conversion to primary listing status after secondary listed in Hong Kong, its existing weighted-voting-right and variable interest entity structures in effect at the time of secondary listing will continue to be grandfathered. In the event that the majority of trading in a secondary listed Greater China issuer's listed shares have migrated to the Hong Kong market on a permanent basis, such issuer will be regarded as having a dual primary listing in Hong Kong. While the concerned issuers need to comply with the applicable provisions for primary listed issuers under the Listing Rules, they would have a 12-month grace period in fulfilling relevant requirements. Eligible "China Concept Stocks" with dual primary listing status may also be included in Stock Connect, to attract trading from Mainland investors and increase their liquidity.

In addition, if secondary listed issuers convert to primary listing in Hong Kong while maintaining their primary listing status in another overseas market, they could continue to adopt relevant overseas financial reporting standards as the accounting standards for the preparation of their financial statements in Hong Kong. Meanwhile, HKEX would also assist dual primary listed issuers in fulfilling their compliance of requirements that are subject to duplicated regulation due to multiple listings. Based on the facts and circumstances of individual issuers, HKEX would consider waiving relevant requirements under the Listing Rules. To enhance transparency, HKEX has codified certain common waivers and the underlying principles, so as to provide clearer guidance to issuers.

The Government will maintain close communication with the Securities and Futures Commission and HKEX, continue to review the implementation of the regulatory regime for listing, and introduce further enhancements in due course.

- End -

CONTROLLING OFFICER'S REPLY

S-FSTB(FS)02

(Question Serial No. S013)

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:

Pursuant to reply no. FSTB(FS)024, would the Government inform this Committee of:

1. the size of Hong Kong's bond market; and
2. the areas that can be worked on to further promote Hong Kong's bond market?

Asked by: Hon LAM Chi-yuen, Nelson

Reply:

1. The Hong Kong bond market has continued to grow in tandem with the Government's active promotion. The size of outstanding Hong Kong dollar debt securities reached HK\$2,356.8 billion as at end 2021. Hong Kong has also grown steadily as an international bond centre in Asia. According to the International Capital Market Association, counting in terms of bonds issued internationally by Asia-based entities (hereafter as "Asian international bonds"), the volume arranged by Hong Kong topped the world and reached US\$206.8 billion, accounting for 34% of the market share, followed by the US (22%), UK (17%), and Singapore (5%). Among these issuances, Hong Kong also captured 63% first-time bond issuances, which was well ahead of other major international financial centres. In terms of listing of Asian international bonds, Hong Kong came second (25%).
2. The Steering Committee on Bond Market Development in Hong Kong, which was set up under the steer of the Financial Secretary last year, has reviewed the current situation of the bond market in Hong Kong and put forward recommendations along three directions, i.e. enhancing market landscape, market infrastructure and market promotion to further promote the development of our bond market. The suggested measures include –

- i. expanding the issuance of green bonds, RMB bonds and Hong Kong Dollar bonds with longer tenor under the Government bond programmes to foster the development of local RMB and green bond markets and the formation of local yield curve;
- ii. consolidating our strengths in promoting offshore RMB business and encouraging participation of Mainland enterprises and entities in Hong Kong's bond market;
- iii. stepping up efforts to promote Hong Kong's position as a bond centre among investors and bond issuers;
- iv. enhancing the functions of the Central Moneymarkets Unit by upgrading it to be a major central securities depository platform in Asia, while working on the development of an electronic bond trading platform to facilitate secondary transactions and expand investor base; and
- v. exploring ways to enhance the prospectus requirements and, on the premise of ensuring due protection of investors, make it easier for retail investors to participate in the bond market.

The Government will formulate detailed plans and progressively implement these recommendations.

- End -

CONTROLLING OFFICER'S REPLY

S-FSTB(FS)03

(Question Serial No. S014)

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:

Pursuant to reply no. FSTB(FS)025, would the Government inform this Committee of:

1. the number of Fintech practitioners currently working in Hong Kong's banking sector; and
2. the number of Fintech practitioners required by Hong Kong?

Asked by: Hon LAM Chi-yuen, Nelson

Reply:

According to information of the Cyberport and the Hong Kong Science and Technology Parks, there are currently about 500 Fintech companies based in the two parks employing about 5 500 persons in total, and the size is expected to continue to grow. It is estimated that the Fintech companies in the two parks will need the support of about 2 200 additional Fintech practitioners in the next three years.

As for financial service institutions, such as banks, insurance companies, securities companies, etc., as some institutions' Fintech solutions are provided by outsourcing them to Fintech companies, or carried out by staff responsible for overall information technology management of the institutions, the financial regulators currently do not have specific information on the practice of Fintech practitioners as such. The Hong Kong Monetary Authority plans to collect relevant statistics relating to the employment of Fintech practitioners in the banking sector for analysis, and will continue to keep in touch with the industry on development of Fintech talent.

To strengthen our efforts in nurturing Fintech talents to meet the future needs of the industry, we implemented in 2020 the Financial Practitioners Fintech Training Programme (the Programme) and launched a new round in February 2022, comprising the Webinars Series and Incentive Scheme. The Webinars Series covers a wide range of Fintech topics

for financial practitioners to join, and those who have successfully completed the courses would be provided with full course fee subsidy. The Incentive Scheme enables trade associations in the securities and insurance sectors to design tailor-made training for their practitioners. Each approved project could receive a subsidy. The Webinars Series has attracted applications from over 7 100 financial practitioners during the application period. The Incentive Scheme is still open for applications until end-May 2022, and we expect that at least 10 training programmes organized by trade associations will benefit. In addition, we are actively developing professional qualifications recognized by the Qualifications Framework for Fintech practitioners, and will implement the “Pilot Scheme on Training Subsidy for Fintech Practitioners” this year to subsidise the training fees incurred by the practitioners who have successfully attained Fintech professional qualifications. We will also conduct a consultancy study this year, with a view to developing Fintech professional qualifications for different financial sectors, including the securities and insurance sectors. We will follow up the manpower demand and supply situation of Fintech practitioners through the Coordination Group on Implementation of Fintech Initiatives chaired by the Secretary for Financial Services and the Treasury.

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CONTROLLING OFFICER'S REPLY

S-FSTB(FS)04

(Question Serial No. S016)

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:

Further to Replies of Serial Nos. FSTB(FS)056:

1. **On opportunities in the carbon trading market**, is there a clear division of work between the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) Unified Carbon Market and the national emissions trading system? Do they each deal with carbon emissions trading in particular sectors or trading of particular kinds of carbon credits? When will the Steering Group provide further reports on and a detailed roadmap for the development of the carbon market?
2. **On strengthening co-operation with the Mainland and overseas countries**, will the People's Bank of China (PBoC) and the Hong Kong Monetary Authority (HKMA), in deepening the connection between the eTradeConnect of Hong Kong and the PBoC Trade Finance Blockchain Platform, connect the two systems with the Multiple Central Bank Digital Currency Bridge and the Commercial Data Interchange, so as to further automate trade finance processes?
3. **On financial infrastructure**, the Mainland has extended the pilot schemes on the Digital Currency Electronic Payment (DCEP) to other cities, such as Tianjin and Chongqing, this month. When participating in the testing of the cross-boundary use of e-CNY, will the HKMA promote the inclusion of Hong Kong in the next batch of the DCEP pilot cities?
4. **On capacity building**, could a breakdown of the estimated annual expenditure in respect of the provision of \$200 million for the 3-year Pilot Green and Sustainable Finance Capacity Building Support Scheme be provided?

Asked by: Hon WONG Yuen-shan

Reply:

1. Under the official policy document endorsed by the State Council on Providing Financial Support for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and major policies from the People's Government of

Guangdong Province, there is a need to build a GBA platform for emission rights trading and financial services, and to enable further participation from qualified foreign investors. In end March 2022, the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) published its preliminary feasibility assessment of carbon market opportunities for Hong Kong, which proposes to collaborate with relevant authorities and stakeholders to work towards establishing the GBA Unified Carbon Market in line with Mainland policies to strengthen GBA cooperation. In the same month, Hong Kong Exchanges and Clearing Limited also signed a Memorandum of Understanding with the Guangzhou-based China Emissions Exchange to explore cooperation opportunities in carbon finance. With the assistance of market experts and stakeholders, relevant GBA authorities are working out the details in relation to the establishment of the GBA Unified Carbon Market (emissions trading system and/or voluntary carbon market), sectors and thresholds, mode of participation (mandatory and/or opt in), trading rules etc. The potential linkage between the GBA Unified Carbon Market and the national emissions trading system will also be considered during the process. The Steering Group will announce further details in due course.

2. The Hong Kong Monetary Authority (HKMA) is exploring the feasibility of using the Multiple Central Bank Digital Currency Bridge for international trade settlement, and connecting it to different trade platforms to enhance efficiency of cross-border trade transactions and achieve synergy.
3. The HKMA and the Digital Currency Institute of the People's Bank of China (PBoC) have commenced cooperation on the technical testing of using e-CNY for making cross-boundary payments in Hong Kong, with the first phase of the technical testing already completed, covering the use of the related app, system connectivity and use cases of using e-CNY for making cross-boundary payments. The HKMA is discussing with the PBoC the next phase of the technical testing, including the involvement of more banks in Hong Kong and the use of the Faster Payment System to top up e-CNY wallets. In addition, the HKMA issued a discussion paper titled "e-HKD: A policy and design perspective" on 27 April 2022 to study the prospect of introducing the e-HKD in Hong Kong.
4. We are developing the detailed implementation arrangements for the Pilot Green and Sustainable Finance Capacity Building Support Scheme in consultation with stakeholders, including devising the criteria for eligible applicants and courses or qualifications, the maximum amount of subsidy per eligible applicant, and operational arrangement of the scheme, etc. Since the breakdown of the annual estimated expenditure will depend on the abovementioned implementation arrangement, the details are not available at this stage.

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CONTROLLING OFFICER'S REPLY

S-FSTB(FS)05

(Question Serial No. S017)

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:

Further to Replies of Serial Nos. FSTB(FS)057:

Regarding financial technology, how many practitioners are expected to benefit from the new round of the Financial Practitioners FinTech Training Programme that has been granted a further provision of \$2.5 million?

Asked by: Hon WONG Yuen-shan

Reply:

The new round of the Financial Practitioners Fintech Training Programme (the Programme) was launched in February 2022, comprising the Webinars Series and Incentive Scheme. The Webinars Series covers a wide range of topics, such as Regtech, Blockchain, Artificial Intelligence, Cybersecurity, as well as Environmental, Social and Governance. Financial practitioners can apply, and those who have successfully completed the courses would be provided with full course fee subsidy. The Incentive Scheme enables trade associations in the securities and insurance sectors to design tailor-made training for their practitioners. Each approved project could receive a one-off direct subsidy with the maximum amount of \$100,000.

The Webinars Series has been well received, attracting applications from over 7 100 financial practitioners during the application period. The Incentive Scheme is still open for applications until end-May 2022, and we expect that at least 10 training programmes organized by trade associations will benefit. There are no limits imposed on the total number of practitioners participating in the Programme.

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